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SELECT COMMITTEE ON ECONOMIC AFFAIRS

ORGANIZATION
COMMITTEE REPORT

THURSDAY, MAY 29, 1986



SELECT COMMITTEE ON ECONOMIC AFFAIRS

CHAIRMAN: Cooke, D. R. (Kitchener L)

VICE-CHAIRMAN: McGuigan, J. F. (Kent-Elgin L)

Barlow, W. W. (Cambridge PC)

Cordiano, J. (Downsview L)

Ferraro, R. E. (Wellington South L)

Knight, D. S. (Halton-Burlington L)

Mackenzie, R. W. (Hamilton East NDP)

McFadden, D. J. (Eglinton PC)

Morin-Stron, K. (Sault Ste. Marie NDP)

Stephenson, B. M. (York Mills PC)

Taylor, J. A. (Prince Edward-Lennox PC)

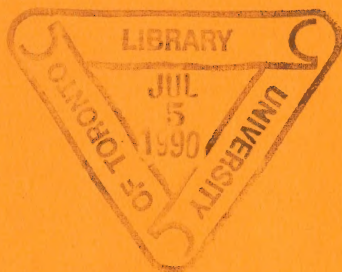
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Cotton, B., Research Officer, Legislative Research Service

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LEGISLATIVE ASSEMBLY OF ONTARIO
SELECT COMMITTEE ON ECONOMIC AFFAIRS

Thursday, May 29, 1986

The committee met at 10:07 a.m. in committee room 1.

ORGANIZATION

Mr. Chairman: Let us get started. It seems like old-home week.

Mr. Ferraro: Do you mean that figuratively?

Mr. Chairman: Figuratively, yes.

The clerk informs me that because this is a select committee, the chairman does not technically need to be elected at this stage. Because of the wording of the resolution in the House this week, it occurred automatically. However, according to our agenda, it is appropriate at this time to elect a vice-chairman. Mr. McGuigan has been nominated.

Interjection: Could we have a secret ballot?

Mr. McGuigan: I want a raise in pay.

Mr. Barlow: What would you do if we did nominate somebody else?

Mr. Chairman: We would be in trouble right now, actually.

The nominations are closed. Mr. McGuigan is elected.

COMMITTEE REPORT

Mr. Chairman: The next item on the agenda is discussion of the committee report.

Prior to opening that discussion, I thought I would review with you some of the areas in which we have had input. This is particularly with a view to two things. First, the Legislature has told us we must have a report done by mid-July. It has certainly given us a barebones time, the first two hours on Thursday morning. It would not be inappropriate for us to get a message to the House leaders some time this morning that we feel we may need more time than that.

Before we do that, it would probably be a good idea to take a look at exactly what we want to do. When we did our interim report, if you recall, we included pages 29 and 30, a list of things we felt still needed to be done. I invite you to take a look at that and at the same time to take a look at a list in front of you called "Table of Contents," which includes the witnesses in order of attendance.

Prior to the interim report, we had heard from witnesses 1 to 48, up to and including Crawley Films Ltd. Since the interim report, we have heard from witnesses 49 to 70, starting with Dr. Simeon of Queen's University.

While we did not have the luxury of consecutive hearings since the

interim report was filed, I was somewhat interested in realizing the extent to which we have had a number of very substantial matters brought to our attention since that time. As well, of course, we have all the results of the various surveys, etc., that have been commissioned for us. Take that, and look at the matters on pages 29 and 30. Perhaps I can review where we stand factually with some of that and then I will open the matter up for discussion.

Back in November, we said the committee wished to speak with representatives of some of the manufacturing industries not yet heard from, such as textiles, etc. We have a lengthy submission that was given to us by the textile industry. They expressed mild interest in coming and talking to us but have never been able to agree on a date. If it is the feeling of the committee that we still want to pursue that, I suggest the clerk be instructed to get in touch with them right away to try to find a date in the next few weeks for them to attend.

On top of that, when you look at manufacturing industries, we do have a lot more information now than we did have, looking particularly at the reports from Professor Lazar, who surveyed 376 companies and did personal interviews in some areas, and from Professor Donner, who did thorough personal interviews in high-technology industries. We have heard from chemical producers; we have had more general input in that area, although we have not had too much more in the way of specific input. I know Mr. McFadden has talked about an industry in his own riding, MacGregor Socks, that we could look at if we wanted to.

Moving along to service trades, prior to November 7 we had already heard from the Royal Bank, Manulife and the Association of Canadian Advertisers. We tended to leave services until the end, saying it was something we had to look at much more thoroughly. We have now heard from management consultants, engineers, Canadian authors, Acres, which I think was involved with that, and the computer services association, although I had some contact with someone after they spoke with us saying there was an association centred in Vancouver that was opposed to their views. I have invited them to come and present their views, but I have not heard from them.

We have a much wider range of information now if we look at what we have heard from a number of service industries. It is a hard one to get a handle on, but I think we have a great deal more information there than we had initially.

Cultural concerns are something we have immersed ourselves in subsequent to the interim report. We have heard from the Canadian Broadcasting Corp., Global, the Alliance of Canadian Cinema, Television and Radio Artists, Comac, Canadian authors, Maclean Hunter, the publishers' board. Earlier we heard from the Association of Canadian Advertisers; it may come under services but it is also culture. There was a general similarity in all their submissions, and some of them had some interesting facts to back up what they were saying. Again, especially in that area, we have a lot more information than we had at the time of the interim report.

On the issue of reducing tariffs, nontariff barriers, subsidies and countervailing activities, I understand Mr. Traficante, who will be back from his holiday Monday morning, has been doing a bit of a survey of that activity on his own, which we hope he will be able to assist us with. It is a huge area. It is fairly hard to get a handle on it, but he has a knack for taking complicated matters and reducing them to something that is easy to understand. Maybe we can look at that material when he has it and deal with it. It is an area where a lot of political discussion is going on generally.

Technological industries: I refer you again to the Donner report, which is pretty clear and straightforward.

Adjustments and posturing: Adjustment programs will be looked at, as will the posture of the Canadian government regarding these adjustment programs. I am not sure where you start with that, but Barbara Cotton has indicated it might be of some value to us if we had a summary done by legislative research. I have asked her to go ahead and have that done.

Similarly, there is the question of examining interprovincial barriers to trade. This is perhaps the most important aspect in one area. We have looked at it a little bit with Richard Simeon's presentation. Politically, it still could come down to the areas in which the Ontario government can extend levers, if necessary, and the whole question of whether we should get rid of interprovincial barriers in any event. The gist of the report initially was that we should be working towards that. What are these barriers? To what extent should Ontario be taking the lead in trying to get rid of them? Again, legislative research is preparing a paper, which we hope will be available in a couple of weeks. That is an area where we can do a lot of heavy thinking.

Finally, there is the whole question of other trading options. Mr. Traficante has done some preparation on this in the hope that, if we had some time for doing some thinking prior to preparing our report, we would be able to look at it. He thought we could become very good experts on the Pacific Rim and the European Community without leaving Toronto. He has a series of speakers available if we want to concentrate some of our time on that during the course of two or three weeks.

Now you are probably wondering how we can do any of this when we only have two hours a week. Perhaps it is because I am a novice in these things, but it was most confusing to deal with what I thought would be an arrangement, have a House leaders' meeting where they would be coming from different angles with different snippets of information and then have no decisions taken. Personally, I feel sorry we have wasted a month when we could have been doing some work during May.

I believe we can get permission to sit for longer periods while the House is sitting. The times that have been suggested to us are not terrific in so far as most of our schedules are concerned. Monday night is apparently available and, I am told, perhaps Wednesday morning. The only other time would be on Friday, when most of us want to be in our ridings.

One thing I know the committee would like to do before writing a final report--at least, some members have expressed it to me--is to get back to Ottawa and take a close look, especially in view of the fact that we have had only intermittent contact with the federal government. We seem to have had more liaison with the American government than with our own federal government in this. That could be arranged for a Friday in the near future.

Just before I open the floor, I want to mention that the House leaders are meeting this morning. If there is some resolution you want to bring to their attention, their meeting usually lasts until about noon. I would suggest that any resolution should be discussed and passed so we can get it to them now and not have to wait another week.

10:20 a.m.

The other thing is that a budget is being prepared. You will recall we passed a budget of \$186,000 in February, on the understanding that we probably

were going to be meeting fairly extensively during the break period. Because it became obvious shortly after that we would not be meeting very much in the break period, the budget was not taken to the Board of Internal Economy.

The clerk has prepared a much more curtailed budget, which would have allowance for one week of extra sittings in July. Copies of that budget will be distributed shortly. We are simply guessing on that situation. I will open that for discussion when we get to the issue of budget. It makes more sense to talk now about the report and where we are going. I see a number of people want to speak.

Mr. Taylor: Before we get into substance, could you refresh our memories on our terms of reference? While you have gone over some of the matters the committee focused on in its interim report, it strikes me that the terms of reference are much broader than that and the specific items mentioned may not be all-inclusive.

Mr. Chairman: They may not be indeed. The terms of reference are found on pages 35 through 37 of our interim report. They include a lot of specific considerations that I suppose at some stage we are going to have to look at to see whether we touched on them. A lot of them are vague. I think we have touched on almost all of them, although there may be some that at this stage of the game we would consider to be irrelevant. Do you want me to read them through again?

Mr. Mackenzie: I think we know them fairly well.

Mr. Chairman: Is that sufficient answer to your question?

Mr. Taylor: I do not have them with me. It was only a recollection of the mandate, which was very broad and comprehensive. In the discussion you have invited us to participate in, are we to focus simply on the specific items mentioned in the interim report, or are there in addition other matters within our mandate that we should be considering? That is the only proposition I am putting to you.

Mr. Chairman: You can take a look at those terms of reference for yourself; I suggest we are looking at the broad issues. In November, we set out for ourselves certain of the issues that we felt we had not focused on enough. As we get ready to draft the final report, we should be suggesting that the researcher go through those terms of reference to see whether there are any areas we have not touched on. We can then meet them or perhaps say some of them are irrelevant, but in any event we will have to answer those questions.

Mr. Taylor: Will some of these items be included in the mandate of the new standing committee? Is there any overlap or duplication in the terms of reference of the committees? It could be that some of these items would or could be discussed in the standing committee. I do not know that. Do you have a comment on that?

Mr. Chairman: Initially there was a feeling that the standing committee could take over the work of this committee. Frankly, I resisted that a little, because I felt this committee had worked well together. The standing committee has met. It does not yet have formal terms of reference to consider. I understand they are being drafted for us at present.

Mr. Mackenzie: I think there is a little misdirection in what we are doing here, and I feel very strongly about it.

First off, the issue of free trade and this committee that was set up to deal with it--very clearly an initiative of the Premier (Mr. Peterson), I might add, and one promised very specifically during the election campaign--probably have more important implications than just about anything else facing Ontario. It is obvious that we have to change direction a bit in what we do during the next few weeks.

I do not think it needs a long period of time, but the idea of trying to carve out Mondays, Wednesdays and what not in the current schedule in the House and with the business that is going to be up during the next few weeks is just ludicrous. I do not know what is happening to anybody else, but apart from the additional load here in the House, most of us are as busy as hell, literally. I have never been busier in 11 years in this god-damned House with the calls I get, the responsibilities and the things going on.

Mr. Cordiano: Hear, hear.

Mr. Ferraro: Neither have I.

Mr. Mackenzie: I am simply making the point that it is ridiculous to try to finalize a report of this committee in bits and pieces during the next six weeks in the House. It is absolutely nuts to take that approach. We are going to need probably four or six weeks more. I really do not think we need more than that. One of the things we should be asking for is an extension until the end of August for the final report.

I also want to say, while we are on this, that we have to change some direction if we are going to be honest at all. We came out with an initial report that did endorse the initiatives. I will grant you that, the way it was worded then, it was on the basis that certain things would not be on the table and that we were going to protect certain things. That was quite clear, and some of it was because some of us had very great disagreement with issuing that interim report endorsing the original initiative at all. We did say that things such as the auto pact, some issues of cultural sovereignty and some of the unique Canadian benefits we have built up were not negotiable. I thought that message came through pretty clearly in Washington.

However, it seems that there are probably two visits we have to take. One is certainly to Ottawa and the other is probably to Washington again. One of the things we have to clear up totally, one way or another, is the statements being made by the Americans that the auto pact is on the table, because that would be devastating in this province. Nothing else could be as totally devastating in this province.

We have to indicate we are clearly not going to have some of the issues of cultural sovereignty and some of the issues of our benefits, which are uniquely Canadian and which we have built over the years, on the table. If we cannot get clear and unequivocal answers on those issues, then the direction of the committee will have to change abruptly.

Then the recommendation of the committee will have to be--and it will have to be done very quickly--to cut this god-damned farce because we are getting hurt. We have already been slapped in the face, and our Prime Minister, whether you support him or not, has been slapped in the face over the doggone tariffs on the cedar products. We are being told by Merkin, by

Peter Murphy and by a number of them that the issues we have said we would not negotiate, or would not sign any agreement on if they were included, were going to be on the table whether we liked it or not.

The issue that has to be defined clearly and very quickly is this level playing field, because if the level playing field, in their view, does include all these things on the table, then damn it all, let us get a change in the direction of this committee and let us tell the Premier of the province that we will not fart around on it any more: We think they now have to take a look at reopening things such as the General Agreement on Tariffs and Trade; we have to take a look at what kinds of alternative mechanisms or recommendations we have.

I do not know how we can say anything else in this committee. All the things on which we based that endorsement of the Mulroney initiative have been thrown in our bloody faces. Are we going to face it as a committee or not? It blows my mind that we would take a look at how we deal with and consider as part of our mandate now the adjustments in what might happen. The emphasis in the rest of our report on the removal of interprovincial barriers of regional incentives almost assumes that we are going to proceed with it and that we are going to get nailed. Damn it all. In my town the regional incentives are the only thing that kept a lot of our workers going during the past two or three years.

10:30 a.m.

I do not think we should change our focus in any way or start looking at these kinds of things. Very definite alternatives to the free trade proposal and how we deal with the crises that keep arising are good. That has to be the direction, as well as putting the brakes on the talks that Reisman and Mulroney are so bloody determined to continue. If I am wrong, then this committee had better say: "No, we do not want to do that. We want to continue with this charade." But that has to be the direction.

Mr. McFadden: Mr. Mackenzie is certainly exercised this morning. I do not think I can achieve the eloquence--

Mr. Mackenzie: You tell me what we are facing as a province.

Mr. McFadden: We are facing a tremendous challenge, and this is why I believe this committee cannot deal credibly with its mandate by July 10. First, if you look at the terms of reference that the Legislature provided for us and then at what our committee suggested we have to examine in some detail, it would be absolutely impossible for us to deal with it credibly by July 10. We could do a half-assed job here; there is no doubt about it. We could probably come up with some half-baked report, but that, in my view, would destroy the credibility of this committee, its first report or any of the work it has done to date.

There seems no reason to guillotine this committee in what it is doing. I agree with Mr. Mackenzie, and I think probably everybody on this committee agrees, that this issue is absolutely vital and central to the economic future of Ontario, the whole trade area. You will remember that at our very first meeting we decided to look not strictly at the Canadian-American trade relationship but also at our other options, whatever those might be, in other parts of the world. We have not touched upon that latter point substantially.

We hear a lot about GATT. Our committee has not even had a look at GATT in any detail outside of passing references from time to time. If we look at the vital areas you commented on, Mr. Chairman, which it was suggested merit additional study--the trading options, which I have already mentioned--we are not going to do it in a two-hour meeting some Thursday morning in June, when half of us are probably worried about getting whipped onto another committee. The same thing goes with interprovincial barriers. Whether or not we have free trade with the Americans, I still think we have an interest as a group in looking at interprovincial barriers to trade. Again, that is not something we are going to decide in a couple of hours on a Monday evening. That would include one point after another.

My feeling right now is that the credibility of the committee and of this whole process is at stake. I do not think I am betraying any confidence here by saying that we had all-party agreement among the scheduling committee of this committee on what we thought was necessary, and that was to sit through the summer. I do not think there is any doubt or anything obscure about that: There is an all-party agreement. What happened was that, when it got past us somewhere, that agreement was vetoed, ignored or whatever happened. All of us on this committee have been working in good faith. We certainly are not all necessarily agreed on what Ontario or Canada should do, but that is part of the political process and it is something that should be debated.

The other thing that is happening is that we now have all these federal reports that have come out in one way or another. It would be worth looking at at least an edited version--

Mr. Mackenzie: They are too damn edited. The auto pact is very edited.

Mr. McFadden: That may be, but I also understand that the Ontario government may in the next month issue a number of studies as well. I do not know which ministries, whether it is a group of ministries or the Ministry of Industry, Trade and Technology. Perhaps Mr. Ferraro can confirm that, but I understood there were a number of Ontario government studies coming out that this committee could usefully look at as part of what it is doing. We cannot possibly do a valid research job just on the printed material dealing with these additional areas by July 10, let alone go to Ottawa or converse with the people in Washington.

Perhaps just to bring it to a head I would move that this committee report back to the House and request an extension of its mandate and of the time frame within which it has to file its report. I would suggest October 15. The reason I suggest this date is that it takes a while to print the report. I am not saying we cannot have finished it by the end of August, but I do not think the House will be sitting in September, and we will need an extension to when the House comes back. My recommendation would be October 15. I will put that in my motion now. That would give us enough time to go through the various drafts, printing and everything else that is necessary.

Very clearly it seems to me, in line with our agreements, that we will need at least the summer to do the basic work so that we can come up with a credible report. This issue is becoming more and more complex by the day. There are more and more factors coming in. Some of the research and submissions we got last August may be irrelevant today.

In order to maintain the credibility of both the committee and whole legislative process in this House, we have to ask for an extension. Otherwise, I would question the sense of the committee even attempting to file a report at all, because we would not have any credibility left to attempt to deal with this mandate and all the other areas we have set for ourselves to do.

Mr. Chairman: Mr. McFadden moves that the committee report back to the House and request that the date on which the final report must be filed be moved to October 15.

The motion is on the floor.

Mr. Mackenzie: Technically, you are supposed to make a motion before you speak to it.

Mr. McFadden: I know. I am sorry.

Mr. Chairman: Do you wish to speak to the motion?

Mr. Knight: He already has.

Mr. McFadden: I believe I set out my rationale in making the resolution. You can see that I have made the arguments.

Mr. Ferraro: First, let me qualify my statements by saying they are my personal point of view, not necessarily that of my party.

Without editorializing on what Mr. Mackenzie said about specific mandates and so forth, I want to endorse fully what Mr. McFadden has said. October 15 makes sense. There may even be room in there for a couple of weeks' holidays, which we all badly need because we are all extremely busy.

To ask this committee to do a final report based on all the new information available, the changes in venue and the number of reports--and yes, I understand that many of the ministries of the government are preparing reports that I am sure will be made available upon their conclusion--

I took a great amount of pride and enjoyment, to be blunt, in my participation in the interim report of this committee. Quite frankly, I am disappointed that the House leaders could not agree to give us a longer period. I could perhaps draw a very crude analogy. To suggest that this committee should do a final a report, and do it in a credible manner, as Mr. McFadden said, is like asking Dolly Parton to play the accordion. It is difficult, if not impossible.

I do not mean to make light of the issue, save and except that I treat this matter extremely delicately and, as the Premier would say, with much sensitivity in order to give it the consideration it needs. Quite frankly, I would personally question my involvement on this committee if the deadline of July 10 were steadfastly held by the House leaders. I wholeheartedly endorse Mr. McFadden's suggestion that we ask for an extension to October 15 to give this very important issue the time it needs.

Mr. Chairman: May I just say, before I ask for the next speaker, that I suspect there would not be a great deal of resistance to an extension to the end of July. If we are talking about going any farther than that we are facing the resistance that would be given to the standing committee that has been asked to look into corporate concentration. I understand it is going to

be asked to report back by October 15 on that issue so that on October 16 it can start preparing for the 1987 budget. That is the problem we face, and if anyone wishes to address it, please do.

Mr. Mackenzie: That is that committee's problem, surely. I have some difficulty with Mr. McFadden's time frame. I think it can be done a little more quickly than that, but I would not vote against it, either. We have to finish our work by the end of August and then take whatever time we need to finalize the doggone report.

I also agree with him, although probably in a little different way, that there is not a hell of a lot of use in continuing at all. If that is the case, the whole committee and the whole recommendation have been a farce from day one if we do not decide we are going to take a look at this level playing field and whether it makes sense.

If our direction is going to be to look at some of the things you outlined and at another bunch of witnesses, without taking a more serious look at what has happened during the last few weeks, it is a farce.

10:40 a.m.

Mr. Chairman: Mr. Mackenzie, I was just bringing that issue up because it is the issue we have to face.

Mr. Cordiano: I do not know what the time frame should be. It is really something for the House leaders to decide. I cannot disagree with what Mr. McFadden has stated. On the other hand, with regard to what Mr. Mackenzie has commented on, we made our recommendations very clear in the interim report.

Mr. Mackenzie: Now let us take a look at what has happened, because--

Mr. Cordiano: That is fine.

Interjection.

Mr. Cordiano: That is after the fact.

Mr. Mackenzie: It is (inaudible). My colleague is right.

Mr. Cordiano: The point is that this province has certain areas of jurisdiction that come under its control. We have stated it very clearly. At this point, I do not see any disagreement on the part of the government in saying that our recommendations were not valid. I have not had any indication that the government would go ahead and reverse any of those recommendations. It is all to the contrary at this point.

Mr. Morin-Strom: What do you mean? The auto pact?

Mr. Cordiano: Just a minute. It is all to the contrary at this point. The Premier has stated on a number of occasions that those are issues of great concern to him. You cannot say at this point that the discussions taking place necessarily include those items or do not include them. A lot has been said, and I am still not certain what is being included and what is not being included. I do not think anybody is.

Mr. Morin-Strom: That is what we have to find out.

Mr. Mackenzie: And if they are included, do we then say the initiative was wrong, which is what we should do, and find some alternative methods?

Mr. Cordiano: You stated that initiating the negotiations was a bad thing to begin with. That is your point of view. In our interim report we said that whether the negotiations were to start did not make any difference. In fact, this province is concerned about certain items. If we are going to have trade discussions with the United States, these are the things we are concerned about.

We are steadfast in those items. Nobody in Ontario or in this government has indicated otherwise. When you to say that we should look at those items and make a point at this time to suggest that the negotiations ought to stop, that remains to be seen. We have no clear indication where those negotiations are going.

Mr. Mackenzie: You are making a fool out of your own position, Mr. Cordiano.

Mr. Ferraro: Can we stop the interjections, Mr. Chairman, and deal with the matter at hand?

Mr. Cordiano: I do not believe that. That is my point of view. We have made our case very clearly. We have to proceed with the final report. Notwithstanding that we have difficulties with the time frame, I agree with what Mr. McFadden stated earlier, that we have to extend the period in order to do a credible job. The items we have indicated in the report as being of central concern to Ontario still stand, and the province can take a number of initiatives to make sure those items are excluded from the negotiations.

Interjection.

Mr. Cordiano: Come on. The province still has a position to take with regard to those items that we said should be excluded from the negotiating table. If they are including them, that is fine, but when this province has to make a decision on accepting the terms the federal government has negotiated, there is no reason we have to do so. The Americans understand that fully; they are quite concerned about the role that each of the provinces is going to play and about whether we will sanction what they are doing.

Mr. Morin-Strom: Why not put it off until the whole negotiation is finished?

Mr. McGuigan: I have not been an active member of the committee lately, but I have been following the items in the newspapers. I agree we have a terrible work load and a terrible problem. I see one thing happening, and I say this as one member; I have no inside information. As a political observer, I think the Legislature is probably going to sit all through July. Look at the legislation that is before us and the number of amendments that are going to come to us. The parties will demand a great deal of debate on those amendments, which they deserve. We shall be here until July, I am sure of that.

People will be completely worn out by the end of July, so if we are to have any holidays at all, most of August is gone. I do not see where we will find the time if we say, "Set things aside and do this in the summer period." I do not think we will have a summer period.

We will also not have the luxury of saying we are going to stop the talks. The train is on the track and it will go. We can argue that we should never have got involved in the first place but we are involved.

Mr. Morin-Strom: We will come to the end one way or another. It may be early or late.

Mr. McGuigan: If, as you suggest, Ontario withdraws, it will be imposed upon us by the United States. They do not give a damn about us. They do not care.

Mr. Mackenzie: Invite yourself.

Mr. McGuigan: They will impose it. They will take the auto pact, the agricultural marketing boards, anything they want. It would be irresponsible to withdraw from the issue and say: "We are not going to talk about it. We are all finished. The province is going to back out of it. We will scuttle everything." In spite of the position I might take on marketing boards and you might take on the auto pact, we still have a responsibility.

Mr. Taylor: We will suffer more than the shingles and the shakes.

Mr. McGuigan: The rotten part of it is that they say they are aiming at Japan and at the European Community with their negotiations. They are aiming at us.

I will give you an example. The US has a giveaway program on grain. If you buy a bushel, you get a bushel free, so it is a 50 per cent cut in price. Informally, they have said to us, "We are not after your customers; you have your traditional customers." They are right after our traditional customers; they have them already.

You cannot say to a broker, "Do not talk to that customer." Brokers make their money selling things. In our free enterprise system, if there is a market, a broker will sell to it. It does not matter whether he is selling Exocet missiles or anything else; they make their money selling and they do it. In many respects it is easier to hurt us than it is to hurt the Japanese, because the American producers--we have heard this before.

Mr. Mackenzie: The more we talk, the more sore points we open up. That was Elgie's comment and he was dead on.

Mr. McGuigan: He may be, but it will happen anyway. I wonder whether, within the time and the responsibilities we have, we could narrow our focus. So many events have overtaken us.

Mr. Mackenzie: That is right.

Mr. McGuigan: Perhaps we could narrow our focus to the auto pact or interprovincial barriers and deal with what we can.

Mr. Chairman: The gist of your message is that we could be caught out, if we opt for sitting through the summer, as we were when we thought we would be sitting through March.

I have Miss Stephenson, Mr. Ferraro and Mr. Barlow. Mr. Ferraro indicates he is--

Mr. Ferraro: I was just indicating I have to go.

Miss Stephenson: My only concern, which has already been suggested, is that if we opt out of whatever discussions are going on, we will have less than ground level's credibility in Ontario as far as this issue is concerned. Jim is absolutely right. Whatever happens will be imposed upon us from above.

One of life's realities is that we live next door to the US and trade heavily with it. Another reality is that you get along a hell of a lot better if you talk to them once in a while. You may not like what they say, but they are not going to like what we say either, and that is fine.

Not everything will be rosy for everyone and probably not for us. As human beings, the sensible thing is to keep on talking; to try and discover what we are dealing with.

10:50 a.m.

Mr. Mackenzie: How many nations are engaged in these bilateral talks?

Miss Stephenson: I do not think it is sensible to stop that. Carrying on bilateral talks, Robert, does not mean that we cannot carry on multilateral talks at the same time, at all.

Mr. Mackenzie: That is the total purpose of this and you know it.

Miss Stephenson: No. I am not about to impute motives of any kind to anybody at this stage of the game, but I do believe it is necessary, as Jim has suggested, to provide ourselves with a rather more concentrated focus than the interim report left us with. I thought the interim report was very good and it did, in fact, suggest that we carry out several kinds of studies, which have been done. As a result of examining those, we should be able to determine whether we need to have a slightly more concentrated focus or not, and I think that is a worthwhile exercise.

I have to confess that I have yet another concern. Although Robert says we should not worry about the other committee, most of us are the other committee. I am really perturbed about the fact that as a brand-new standing committee, established only recently, attempting to determine what our agenda should be, what our pattern should be and the areas in which we should have activity, we are going to have no time at all to do that until we begin the process of examining corporate concentration. We should have an opportunity to do that sort of thing while the House is sitting. This is a total reversal of traditional positions, where we have the select committee sitting while the House is sitting and the standing committee sitting while the House is recessed. It sure as heck is not the sort of thing we have done before.

Mr. Chairman: Initially, the thought was that this committee would wind up in--

Miss Stephenson: We cannot wind up if we are going to do anything that is worthwhile in that space of time.

Mr. Chairman: So your suggestion is that perhaps we should stop the other activity.

Miss Stephenson: We should at least try to find out what the standing committee should be doing and that is our determination, as a

committee. We have the guidelines and we should have an opportunity to do that and then we should begin the process. During that period of time we will have time to read some of the material that has been produced for us, some of the research. During that period of time, as well, we will have a better idea about whether we do need to concentrate our effort in terms of the select committee, as Jim has suggested, and try to determine where we go from there.

I am not even sure we should set a time frame on it at this point because I do not know how long it will take, quite honestly. I suppose there are those of us who work better under the pressure of a specific date, and there are others for whom it does not make any difference. Even October 15 worries me a wee bit because I am not sure that what we are going to be able to produce by that date is going to be what we should be doing in terms of the importance of Ontario in this whole area of negotiation.

Mr. Chairman: So your argument really is in support of Mr. McFadden.

Miss Stephenson: Yes.

Mr. Chairman: At the same time, you are saying that perhaps we should be moving on to the other issue and coming back to this when we have finished that report.

Miss Stephenson: We may not even have to finish that as long as we have determined what the scope of our activities is going to be, so that we know what it is we are likely to do to set our agenda for the coming year, because that is one of our responsibilities in addition to having things referred to us by the Legislature. If we know that first, then I think we could come back to the select committee having had that time to reflect and to absorb, I hope, the material that is being developed in the interim.

Mr. Chairman: Yes. That makes a lot of sense but we must not lose sight of the fact that the standing committee will be expected to start working on the next budget in October.

Miss Stephenson: Of course. That, I can tell you, is an exercise which will take several months--two probably. It will require a certain degree of concentration and it will require, I suggest to you, more than one meeting a week to achieve.

Mr. Barlow: Very briefly, I support the motion. I think we are supposed to be talking to the motion primarily at this point.

Mr. Chairman: Yes.

Mr. Barlow: We do have to have our time frame extended until at least October 15. We really have to make that determination rather quickly and find out where we go from there. I hope Mr. McGuigan is wrong when he suggests that the Legislature would be sitting all through July. I would think we would be able to get--

Mr. Chairman: It is up to the opposition.

Mr. Barlow: Oh, is that all it takes?

I hope we can get our teeth into the task ahead of us during June and July and get working on getting the information we want and require for a final report. I am supporting the motion on the floor; we must get the

guarantee that we can sit until October 15, or a later date, as Miss Stephenson suggests.

Miss Stephenson: I cannot predict how long it will take.

Mr. Taylor: We have to decide whether we want to put in a meaningful report. I was a member of the committee, had a sabbatical, I guess, and was back on the committee for a few weeks, and it worked very hard. We are nowhere near the end of discharging our mandate.

I am somewhat troubled. If the government feels that the work of the committee is not essential at this time, that the role it was to play should be played in some other form by some other body, I would like to know. I think we should know that and wind things up.

If the government is looking to this committee for something constructive, however, it is essential that we have more time than July 10.

Mr. Ferraro: In fairness, Jim, the House leaders made the decision.

Mr. Taylor: The House will probably be sitting on July 10. If we are to be honest with ourselves, it is essential that we have more time. If the government is being honest, and I have no reason to suspect it is not, I would think the House would be happy to extend the time of the committee.

I agree with David McFadden, and others who have spoken on this, that the middle of October is not too extensive an enlargement of the time for completion of our work. I would be compelled to support the resolution. The alternative is that if the House does not give us more time, the committee will have to face what we will have to do.

Mr. Chairman: That is right. I have Mr. McGuigan, Mr. Mackenzie and Mr. Morin-Strom.

Mr. McGuigan: We are all agreed on the importance of this work and the pressures that are on us. I am one person who has already made up his mind that the Friday we were going to have available for work in our own ridings is gone. We are starting to encroach upon it already. Wednesdays, when individuals did their constituency work and even went home to their ridings, are not available to us.

Mr. Chairman: Maybe we could lengthen the week.

Mr. McGuigan: I find myself doing on Friday morning the things I normally did on Wednesday in Toronto. I have appointments and I meet with the civil servants--service; they do not like being called servants. I am not getting home on Friday, and I got elected before without being home on Friday and I probably will again.

Mr. Taylor: Do not take that for granted.

Mr. McGuigan: I have never been presumptuous about that. I have always taken it as a matter for the constituents; it is their decision. I never announced beforehand that I was even going to win an election. All I ever announce is that I am going to work like hell. Anyway, what I am coming to is, why not sit on Fridays?

11 a.m.

Mr. Barlow: Try to extend it further.

Mr. Chairman: It would give us a long, full-day shot that we would not get on Thursday mornings.

Miss Stephenson: Those two hours on Thursday morning are just an impossible period of time.

Mr. Mackenzie: I will just try quietly and rationally to give you the four or five points that I think are necessary in this, because I feel strongly on this issue.

I think we cannot let events overtake us again. That is why we have to be fairly tight on the time frame. I do not think you are going to do it on a Friday or while the House is sitting. Instead of going 10 or 12 weeks, as we did previously, we can do it in July and August maybe in five or six weeks. That is really when the committee should sit and prepare its report:

We have to agree to narrow the focus. We have to make clear that the events which have already overtaken our committee and the recommendations we made are some of the things at which we should take a quick look. Obviously, one of the most vital of all is the position of the auto pact.

It seems to me that if this is some of the direction, along with the items, a clearer look and a clearer understanding, we should have gone into it in more detail. I thought the message was already fairly clear as to what was and was not on the table from both sides. That probably involves speaking very clearly to people in Ottawa and in Washington, whether it is here or there.

As long as these items are an important part of what we are discussing, the recommendation is valid and we should allow until October 15 or whatever the final date is on it. I think we have to discipline ourselves and say we are dealing with a fairly concentrated period of time, and it should not take as long as before.

We simply have to narrow the focus. We have to take a look at the events that have overtaken us and how they affect the recommendations we have already made in the interim report, and we have to take a look at exactly what, at this point, the level playing field means to both sides. We have to be prepared to get a report out on time to have some relevance and not let additional events that are going to unfold in this ongoing saga overtake us before we issue that final report.

I think, and maybe nobody else on the committee agrees with me, that may result in some change of direction in the final report as against the interim report. Whether it does or not, those items at least have to part of the narrower focus we have on the table in this period.

Mr. Morin-Strom: I can support the motion providing the types of conditions and focus Mr. Mackenzie has just outlined are put on it.

I am not sure the motion focuses fully on one of the problems, which is the assurance we would have to have from the House leaders that we are going to have time allocated to us. There was a break from February to April where we did not get it. Putting a date of October 15, if they do not give us any weeks to meet, is not going to do us much good.

On the other hand, I do not believe we need 10 or 12 weeks like last summer in terms of the whole potential break period. We have to recognize that the other committee consists, for the most part, of members here today. There has to be a split of that time. I suggest we should ask for an allocation of some portion of that time. I suggest something on the order of four to six weeks. I think we need at least four weeks, but I do not think we need more than six weeks to do something significant and worthwhile on this issue.

Mr. McGuigan: Are you saying we should not release our report until October?

Mr. Morin-Strom: I am saying the hearing part of it could be done much earlier than October 15, if we get the time in July and August. We can get the time in July and August to get the hearing portion done. We may have to come back to review drafts of the report on an occasional day in September, but this committee should be able to wrap up the hearing portion, I would think, by the end of August. The other committee should be able to meet in September and October.

Miss Stephenson: It is the date of the report that is critical for us.

Mr. Morin-Strom: Yes. We have to be assured by the House leaders that we are going to get some time to meet. We should be asking for that.

Mr. Mackenzie: Two weeks earlier or two weeks later; what difference does it make?

Mr. Ferraro: You are saying, "Be more specific." If they give you an October 15 deadline, it is understood that they have to give you time, Mr. Morin-Strom. Otherwise, why would they extend it?

Mr. Morin-Strom: We had a July 10 deadline, and we did not get time. Since the interim report, we were given two weeks' hearing time from October to July.

Mr. Ferraro: What you are saying does not make sense. Why would they give you a deadline if they are not going to give you time? Is that what you are saying?

Mr. Morin-Strom: That is what they gave us last time.

Mr. Ferraro: I give the House leaders a little more credit than that.

Mr. Chairman: Order. Mr. McFadden, could you sum up and address among other things, if you wish, the date you have chosen? October 15 has been criticized both ways.

Mr. McFadden: October 15 is the outside date for us to be in a position to publish a report. I agree with the Speaker; we cannot go on here for ever. Potentially, I suppose, we could go on for years, but being realistic about it, this is just a select committee that has a finite life.

October 15 is the date by which we should file a report. One thing we are going to have to ensure, as an all-party arrangement, is that we get adequate time to have hearings, meet people and do the research through the summer. I presume that is to be done by about the end of August, which gives time to have the staff draft the report, for us to review it and then to have it printed and published by the deadline.

I am not wedded to October 15. I felt that was a reasonable length of time to allow us to do the work, the caveat being that we get enough hearing dates to be able to do it. I am assuming that if we report back, request that and the House approves it, it would be a farce of the process if we were not provided with more than a few days' hearing time between now and October. It would emasculate the will of the House. I am sure that would not be the result, but that is something we may have to deal with further down the road. We could put as part of the motion that we be provided with adequate or the required time. I suppose that could be added to the motion.

I do not know whether that is required. Perhaps the motion itself should stand, and we will assume that our various House leaders, given adequate work on our respective parts, can get our message through clearly. Then adequate arrangements can be made.

Mr. Chairman: I think everyone has spoken to this motion now.

The motion is that the committee report back to the House forthwith and request an extension to October 15 of the deadline for the filing of its final report with the House.

Is everyone ready for the vote?

Mr. Mackenzie: Before we vote, I have not tried to move any amendment to set out these guidelines, but I take it from our discussions that there is some consensus or acceptance that we have to focus a bit. We have to look at the events that have overtaken us, at the auto pact and so on.

Mr. Chairman: That was raised initially by Mr. McGuigan and was addressed favourably by Miss Stephenson and yourself. It sounds as if there is a view on that from all parties. I was going to raise it to be discussed more fully following this vote.

Mr. Mackenzie: Fine. Otherwise, there is no point in continuing.

Mr. McGuigan: You could make the amendment now, before we vote.

Mr. Chairman: I do not know whether that is relevant to this issue.

Miss Stephenson: The motion before us refers specifically to the Legislature's responsibility for this committee. Amending that at this point is probably not going to achieve anything. We should deal with this motion and then go forward with the other.

Mr. Chairman: That is my feeling.

Are you ready for the vote?

All those in favour?

Mr. Taylor: It is unanimous.

Mr. Chairman: It is unanimous, so I do not need to say "opposed."

Motion agreed to.

Mr. Chairman: The House leaders are meeting at the moment in room

Miss Stephenson: You might want to dash down there.

Mr. Chairman: That may be appropriate, in view of the time problems and that they might not get to discuss this for another week.

Mr. Mackenzie: You had better make it clear also that the clerk will have to revise his budget.

Mr. Chairman: Yes.

Mr. McFadden: He did have that other budget in there.

Mr. Chairman: Would it be appropriate to send Mr. Arnott to room 193 with the news that this has been passed unanimously?

Mr. Mackenzie: It probably should be passed on to the House leaders, yes. We all will have to do our own work afterwards.

Mr. Chairman: They are meeting at present. That is why I am suggesting it.

11:10 a.m.

Miss Stephenson: I am aware that the select committee cannot ask for favours on behalf of the standing committees, since they are two different bodies. However, as the chairman of both, wearing your other hat, even though you have only one head--having worn several hats I have been called the multineaded monster on many occasions--could we implore you to relate very clearly to the House leaders the perception that we need to know how we can go about ordering our business as far as the standing committee is concerned so we can get that out of the way to get on with the business of the select committee? The insecurity about that other one is a bit troublesome.

Mr. Chairman: Are you suggesting that I talk to each of the three House leaders?

Miss Stephenson: I think that would be the best.

Mr. Barlow: Perhaps you should take the message down right now. Is that what you are suggesting?

Miss Stephenson: The chairman should.

Mr. Cordiano: The does not want you to be mutually exclusive of the other--

Miss Stephenson: Oh, no.

Mr. Cordiano: They have to be done together.

Miss Stephenson: That is correct, because the bodies are the same. We have to resolve this issue. It may be sensible for you to take it down. We will have a little adjournment while you go down and invade--that may be the appropriate word--the House leaders' meeting, give them the recommendation and ask whether we could have one or two days to order the business of the standing committee so that we can begin the select committee activities.

Mr. Chairman: I would like to hear from the other two parties on that.

Mr. Morin-Strom: This is asking for time for the standing committee?

Mr. Chairman: The member is asking us to adjourn at this time while I take the motion to the House leaders and convey the unanimous views of this committee to the House leaders at this moment.

That is the suggestion right now. It has not been moved.

Mr. Cordiano: You have to accommodate both committees. You cannot go down there and ask for time of the select committee without considering the standing committee as well.

Mr. Chairman: It would probably have to be an adjournment because I know Mr. McGuigan has to make a speech in the House some time within the next few minutes, and that would leave us with only one government member.

Mr. McGuigan: Oh, I guess it would.

Miss Stephenson: I would move that the chairman of this committee be requested to meet with the House leaders forthwith to present the motion which has just been passed unanimously and to present to them our request on the part of the members of the standing committee that that committee be given an opportunity for at least two meetings in order to organize itself for its responsibilities for the coming year, so that we may proceed with the select committee activities in the most appropriate way.

Mr. Barlow: And on the understanding that we meet at the same time.

Miss Stephenson: They may be back to back.

Mr. Morin-Strom: There should be a time allocation over the break.

Miss Stephenson: We need to get ourselves organized for the standing committee to be able to determine what time we are going to need for that so we can effectively plan the time for the select committee.

Mr. Chairman: That is going to have to be addressed in my meeting with the House leaders.

Mr. Mackenzie: You may also recognize that you are dealing only with the time allocation. You have to give them an outline of our concerns, the things we see as necessary in the select committee.

Mr. Chairman: Miss Stephenson has moved that the chairman would be requested to meet immediately with the House leaders to present the motion passed unanimously by this committee and to present the request that the members of the standing committee on finance and economic affairs be allowed at least two meetings to organize the responsibilities for the coming year.

Is there any other discussion on that? I have no idea now long I will be there if the adjournment takes place. Are you available to take over this meeting, Mr. McGuigan?

Mr. McGuigan: They are coming to get me.

Mr. Chairman: Well, we will worry about that when it occurs. Do you want to vote on that issue now? Are you all ready for a vote?

Miss Stephenson: Yes.

Mr. Chairman: All in favour? Opposed?

Motion agreed to.

Mr. Chairman: I will turn the chair over to Mr. McGuigan, because it might be of value, with the time you have right now, to discuss the whole issue of narrowing scope. This is a valid issue to deal with at the moment. I will see if I get eaten up by the House leaders.

The Vice-Chairman: Do you think it is necessary that we have a formal motion to narrow our scope, or has the past discussion been enough?

Mr. McFadden: I suggest that we come up with a listing of the major areas that we think need to be looked at. We might then ask the scheduling committee to try to work out a proposal to come back with to the committee. For us to plan that is ridiculous.

Today we should decide on a shopping list of issues we want to deal with. It may not be possible to deal with them all. Other members may come up with suggestions next week. However, I would suggest we might take that approach now and during the next week or two, until we determine exactly what we are going to do.

Mr. Cordiano: It is important that we have a very structured plan.

The Vice-Chairman: That in itself takes care of any necessity for a statement or motion. It is simply a matter that we do it. If that is agreeable we will now try to pick out those few items that we want to zero in on. We have to stress that there are few items; otherwise, we have not narrowed the scope. We all agree in the backs of our minds on the events that have happened and the things that have overtaken us. We will leave the discussion open to whoever wants to put up the first items.

Mr. Mackenzie: One of the things that has to be on the table in our discussions is a specific question directed to both the Canadian and American sides concerning the auto pact. In their negotiations, do they perceive it as being on the table in a serious way?

We also need a session or two to help us outline a little more clearly the potential impact on the economy of Ontario if the auto pact does end up on the table, and if any part of it is changed as a result of negotiations. That is a given item right off the bat, because no other single item would have as much effect on the province.

We must have a clear indication, as well, of what Washington and Ottawa see as being on the table as far as some of the other highly sensitive issues are concerned. I am now talking about a variety of social benefits we have in this province and country, as well as the whole area of cultural concerns that was very effectively outlined to us by some of the witnesses we had before us in our last series of hearings.

Those are two musts. I can see nothing wrong with narrowing it down to taking a look at the ongoing dispute over the lumber issue, and what are

considered by both sides to be tariffs, although that does not affect Ontario as directly.

11:20 a.m.

The final point is that there are other things that have to be discussed. As most of you who were in Washington will remember, we asked the question clearly about countervailing duties and were told they were not negotiable. I have difficulty with that. My understanding of countervailing was proving one of the two points, not both: whether a firm is being hurt or whether there is an unfair subsidy.

Is their position still that this is something that is not negotiable? In the light of the events that happened almost before we started talks, how would specific information on these points that are vital to us in Ontario have affected any of the recommendations that we made in our interim report? That is where we may decide we have to change some focus.

Those may be the political arguments, I do not know, but we have to look at what we are told by both sides on these more narrowly focused areas. Then we must say to ourselves, "Does this affect any of the recommendations or would it change any of our positions in that interim report?" That is some of the narrowing that I want to see done.

Mr. Taylor: Have a minority report.

Mr. Mackenzie: We could have a minority report.

I will finish here. We are kidding ourselves if we do not take a look at that because, to some extent, the events have overtaken us and are likely to continue. It may be that this committee needs a change in direction. If we are not prepared to do that, then I agree with the other remark that David made: I do not know why the hell we are continuing to sit on this committee.

The Vice-Chairman: Before we debate those points, let us hear the other point.

Mr. McFadden: I just wanted to add some more things to the list. I do not disagree with anything that Bob has said in terms of his list. All of those things are valid to look at.

In connection with the lumber issue, I would suggest we not look at shakes and shingles. To my knowledge, Ontario is not a major exporter--any exporter--of shakes and shingles, but we have a substantial stake in the lumber issue in northwestern and northeastern Ontario. I would suggest that we not focus on just shakes and shingles. Certainly the lumber industry now has essentially what amounts to free trade. We have to take a look and see what is happening to it right now.

I also suggest we look at the whole area of interprovincial barriers. We have heard a number of submissions dealing with this. Our interim report mentioned that as a critical issue. I do not think we need travel the country to investigate it. It would seem to me important since Ontario, historically, has had various positions on interprovincial barriers. So we should be looking at that issue. We did not comment on it in any substantive way in our interim report.

The other thing we absolutely have to look at is the General Agreement on Tariffs and Trade, the impact that the coming round of GATT talks might have, and what kind of strategy Ontario might be looking at. We keep hearing that GATT may be an alternative to the current discussions, and about various complaints and remedies available under GATT. Our committee knows precious little about GATT. I suggest that in order to make a meaningful final report, we are going to have to know a lot more about the impact of GATT on Ontario's trading relationships, now and in the future.

The Vice-Chairman: I have a question just for my own information. Joe Clark has said they are going to seek compensation.

Mr. McFadden: That is correct.

The Vice-Chairman: Is that not being done under the GATT rules?

Miss Stephenson: There is a GATT rule that permits that to happen.

The Vice-Chairman: It is not any other rule that he is using; that is a GATT rule?

Mr. McFadden: It falls under GATT. As a committee, our problem right now is to get a handle on GATT and its impact. The new GATT round starts in September or October, which is around the time we should be filing our final report.

Miss Stephenson: That is the preliminary round. It is very exploratory.

Mr. McFadden: The Ontario government has requested input into the new round of GATT as well. That is a round of talks that is now scheduled to be launched. I know GATT is specifically talked about as a part of our original terms of reference.

Miss Stephenson: In addition to that discussion and to what Bob Mackenzie was saying, there is no way that we can look at countervailing forces in the United States and determine whether, in our minds, they should be on the table unless we know what subsidies are in the US and unless we have a clear idea of the same sort of thing related to the General Agreement on Tariffs and Trade, particularly agricultural subsidies. We are then going to have real difficulty in coming to grips with the types of positions that Ontario should be establishing for these negotiations or for any others.

I do not know now you get that absolutely factually. Even some of the information is not shared among the European Community partners quite as clearly as it should be. That is one of the things that Canada has to have in hand. If it is going to be important to Canada, it is going to be important to us. We are going to have to sort out what it is from this.

The Vice-Chairman: Are you adding in agricultural products?

Miss Stephenson: Yes. My concern is attempting to find out as much factual information as we possibly can about the subsidy arrangements in a number of areas in the US which impinge upon our social programs. What we consider social programs, the US considers subsidies in certain cases. They think their subsidies are fine but our social programs are not. We have to find out where exactly they do impinge on one another. In the other instance, that is practically a straight subsidy as far as GATT is concerned, particularly in the agricultural field, so it has to be on.

Mr. Cordiano: We have had some understanding of the subsidies in the US. What we need to do is pull it all together, compare them to what we are doing in this country and make a definitive statement on that.

Miss Stephenson: That is correct. We need the factual information so we can produce a reasonable comparison.

Mr. Cordiano: Exactly.

Mr. McFadden: I understand Fernando Traficante is working on a preliminary report on that, so maybe we could move on to that fairly rapidly anyway and get that sorted out.

The Vice-Chairman: Mr. Cordiano, do you have any items you want to add?

Mr. Cordiano: Mr. Mackenzie might have alluded to this, but I wanted to deal with the possible ramifications of the deal that is struck. We also have to look ahead to see the types of scenarios that we should be coming out with for adjustment to any possible deal. We do not know the nature of the deal that will be struck, but in any case we have to make some preparations for the adjustment that is needed.

No one really has talked about the adjustment that is needed. We have alluded to it in our interim report and we have had a number of submissions made to us on the possible ramifications, but we have to start looking at some of the things that we have to do as a government.

Miss Stephenson: Our GATT negotiators made a big thing of that at the Tokyo round, that we had to look at that, but nothing has been done that I am aware of.

Mr. Cordiano: I do not know if we can accomplish that in the short--

Mr. Mackenzie: If that is the direction, you are going to get screwed.

Mr. Cordiano: I am not saying that. I do not know what is going to be negotiated. I go back to my earlier stance. Quite frankly, none of us do.

Miss Stephenson: That is correct.

Mr. Cordiano: Forget that, put that aside for now and just say that we must not get caught off guard in the event that we have deal 1, deal 2 or deal 3 representing each of these changes that will take place. We have to have something in place to adjust to those things and make recommendations based on whatever deal is struck. We do not know. I do not think anybody can tell you what deal is going to be made.

Mr. Mackenzie: I have no objection to your putting it on the table. I prefer to look at alternatives to the whole package.

Mr. Cordiano: We are going to be looking at alternatives, but we do have to consider the possibilities.

Mr. McFadden: That is why we should look at GATT.

Mr. Cordiano: Certainly. We said that in the interim report.

11:30 a.m.

The Acting Chairman (Mr. Taylor): Are there further items?

Mr. Morin-Stron: I agree with the items that have been put on the table to this point. The one mentioned, the lumber industry vis-à-vis the cedar snakes issue, is currently the big topic of the day in terms of the trade dispute in which something tangible has actually happened very recently. You have to look at actions such as that which are going on during the negotiations.

Undoubtedly now that we are in negotiations, we will be having a series of trade-related events, although I hope not a lot of devastating ones such as that. Regardless of whether that one is specifically affecting us, we have to have some background on how it happened, under what specific provisions they have countervailing duty practices and that it occurred--

Miss Stephenson: We have to look at the pattern.

Mr. Morin-Stron: Yes, and what is it among the trading relationships that allowed something like that to happen in a technical sense. We need to look at some of the aspects of the current trading relationships and agreements which provide flexibility for unilateral actions of those types and see why we were powerless to do anything about it. In some instances, we would have to look in more detail at what happened; not only at the industry proposals as to the impact on them but also at how the trading relationships and agreements that are currently affected allow something like that to happen.

I would like to look in more detail at the GATT. There are flaws within the GATT, particularly in terms of the countervailing duty action which, it appears, allow countries to look at subsidies in a one-sided fashion. In other words, they can impose duties based on the subsidies on the other country without looking at the offsets in terms of subsidies to their own industry. It appears there are within the GATT some flaws on which we could make recommendations.

Miss Stephenson: Our difficulty at the moment is that the anti-dumping arrangement is not as well defined as it should be because we are the victims of dumping of subsidized materials in a number of instances and we cannot seem to do anything about it.

Mr. McFadden: I do not think the federal government imposes duties on steel now though.

Miss Stephenson: Yes, but they are looking at it.

Mr. Morin-Stron: They are looking at changing the anti-dumping provision to ensure action is taken within two months.

In terms of the business of getting input, we have to go both to Ottawa and to Washington. Washington is essential but there is a delicacy in our going and I can foresee a problem in how we do that. Perhaps we would have to have a subcommittee go instead of the full committee to keep a low profile. Undoubtedly, the perspective we would get from Washington today would be totally different from the one we got last time. There is a greatly heightened awareness of this whole issue in Washington.

When we went last August or early September, there was a tremendous ambivalence towards the whole process and a lack of awareness of a lot of the trade areas other than those which had been the focus of dispute up to that point. Now that the whole can of worms has opened up, I think the perspective we might hear from Washington would be quite different from the one that we have back there. Certainly, their understanding of various trading relationships and positions is starting to be formulated.

We hear the administration viewpoints: we hear Mulroney, we hear the Reagan administration because they are the ones doing the negotiations. When we get into issues like the Senate vote, we see they can appear quite different from the perspective of senators, both Republican and Democratic, and we heard some of that from the Senate staff when we were there last time. The Republican Senate staff was particularly concerned about Reagan's initiative. That obviously came to fruition in that Senate vote.

Although the Congress has not had direct input to this point, there are undoubtedly some positions being formulated there. There has to be more information available from Washington than we have had before and we have to be able to get at it somehow.

The Acting Chairman: Apropos that, if the chair could make a comment, the perception is not quite correct in the United States. Sometimes, they look upon Canada's federalism as much the same as their federalism and do not appreciate the powers of the provinces in a constitutional sense. Ontario did not come as a trespasser, but with a legitimate constitutional and fundamental economic interest in the talks. The Premier (Mr. Peterson) appreciates the strength of the province in a technical sense as well as in an economic sense and has probably given a higher profile to that than his predecessors.

That might as well be a source of comment for the report, i.e., Ontario's legitimate role in the entire proceedings, touching on its place at the negotiating table and the posturing that has taken place. Without Ontario's co-operation, and we have a study on this, it is difficult for any treaty or agreement to be affected. I should not confine that to Ontario. I should say without the provinces' co-operation because of their legitimate constitutional powers under the property and civil rights, for example.

Mr. Morin-Strom: In some sense, the power in Canada is split between the provincial and federal governments. Similarly, there has to be consensus among Congress, the Senate and the President to get legislation through or a treaty passed. In our final report, we should look at the interim report which contained a number of recommendations. We should comment on whether the recommendations are still valid in the light of what has happened since then and what may happen before we come up with our final recommendations. We will have to refocus on whether that is still relevant.

Mr. Cordiano: The recommendations we made hold as true today as they did four or five months ago. That is because of the constitutional power of the provinces. No deal can be in effect unless the provinces uphold the deal that has been struck. They can put whatever they like on the negotiating table, but for the deal to hold true, the provinces must agree to it. Therefore, we were making recommendations from the provincial point of view, as opposed to making recommendations to the federal government about what they should have on the table.

Mr. Morin-Strom: We have to determine whether they are on the table.

Mr. Cordiano: We do not know that yet.

Mr. Morin-Strom: Then we have to find out.

The Acting Chairman: The committee is struggling with a list of priorities in terms of its focus. We probably have that unless somebody is prepared to contribute something else.

Miss Stephenson: In spite of my agreement with Mr. Cordiano's statement, the interim list of recommendations deserves critical re-examination. Some things may now be significantly more important than they were in December and some things may be slightly less important.

Mr. Cordiano: I do not disagree. I am saying they are still valid.

The Acting Chairman: It goes without saying that the committee's final report will have to take into consideration its interim report and update any of those past recommendations.

Miss Stephenson: I hope none of us is particularly disappointed if, on having exposure again to the American political animals, we are not impressed with their increased knowledge of Canada's existence or importance as far as the US is concerned.

The staff in Washington is now acutely aware of what goes on north of the longest undefended border, but there are congressmen and senators from some of the states who have no idea where Canada is, and I do not think they will in this century. They can be a part of whatever committee is looking at this as well. As long as we are not offended by that, we will be fine.

The Acting Chairman: As long as we are not too self-satisfied with our knowledge of their country as well.

Miss Stephenson: That is right.

Mr. McFadden: I do not know whether we can set this up, and I would not want to spend a lot of time doing it, but if we attend in Washington, it would be fascinating to visit two or three of the more knowledgeable people, such as Mr. Weiss, whom I recall from the ways and means committee, and a couple of the other people who have had some involvement with this, just to see whether their perception has changed since we were there.

Mr. Mackenzie: There was Mr. Myers as well, whom I thought--

Mr. McFadden: Yes, Mr. Myers. I cannot remember all the names. There were three or four people whom we might be able to see in a half day. We do not have to spend days with them; just some time to see their perceptions and now they have changed.

Miss Stephenson: Partial committee activity is probably a good idea as well. The suggestion was made that the whole committee does not have to go, and that is a sensible suggestion this committee should be looking at. We should be establishing a reasonable precedent.

Mr. Mackenzie: I want to go on record as opposing that.

Miss Stephenson: That is fine.

Mr. Mackenzie: When it comes to a select committee and travelling, the minute you cut down the numbers there is some danger. If you are setting up a select committee to deal with an issue as important as this, then with the work all the members have put in, all the members should be in any of the hearings.

Mr. Cordiano: That remains to be seen. It relates to the timing of the trip.

Mr. Mackenzie: If somebody himself or herself cannot make the arrangements, that has always been there in any event.

Mr. Cordiano: I bring that up because we have additional committees compared to last summer. Numerous committees have been created and are under way. I think we are going to have some trouble with that, quite frankly.

Miss Stephenson: It is the principle of delegation.

The Acting Chairman: With respect, I do not think that is an issue to be debated now.

Miss Stephenson: No, not at this point.

The Acting Chairman: Would it be a priority to add a visit to Washington? would that be included in your list? I think Ottawa was raised as well.

Mr. Mackenzie: It is probably more effective, but nowever we do it, it is obvious we have to talk in more detail to people in Ottawa and in Washington.

The Acting Chairman: They are added to the list. Is there any further business?

Mr. Mackenzie: I have none.

The Acting Chairman: The committee stands adjourned.

Miss Stephenson: We will be notified about the next meeting after we hear what success our chairman has had with the House leaders.

The committee adjourned at 11:44 a.m.

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SELECT COMMITTEE ON ECONOMIC AFFAIRS

ORGANIZATION

THURSDAY, JUNE 5, 1986



SELECT COMMITTEE ON ECONOMIC AFFAIRS

CHAIRMAN: Cooke, D. R. (Kitchener L)

VICE-CHAIRMAN: McGuigan, J. F. (Kent-Elgin L)

Barlow, W. W. (Cambridge PC)

Cordiano, J. (Downsview L)

Ferraro, R. E. (Wellington South L)

Knight, D. S. (Halton-Burlington L)

Mackenzie, R. W. (Hamilton East NDP)

McFadden, D. J. (Eglinton PC)

Morin-Strom, K. (Sault Ste. Marie NDP)

Stephenson, B. M. (York Mills PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Also taking part:

Foulds, J. F. (Port Arthur NDP)

Clerk: Arnott, D.

Clerk pro tem: Mellor, L.

Staff:

Traficante, F., Research Officer, Legislative Research Service

Witness:

From the Ministry of Intergovernmental Affairs:

Posen, G. S., Deputy Minister

LEGISLATIVE ASSEMBLY OF ONTARIO
SELECT COMMITTEE ON ECONOMIC AFFAIRS

Thursday, June 5, 1986

The committee met at 10:14 a.m. in committee room 1.

COMMITTEE BUSINESS AND SCHEDULE

Mr. Chairman: The meeting will come to order. We have a fair amount to discuss, so I would like to get started.

When I last saw you, I was sent to the House leaders' office to show them the resolution that had been passed by this assembly. I took that resolution to the House on Thursday afternoon and tabled it as a report. The matter was discussed at the House leaders' meeting and I was asked to come back to you with a proposal. You are being asked to forgo your meeting next week so that the new standing committee on finance and economic affairs can meet next week and discuss the same proposals. Then I am asked to go back to the House leaders and explain to them the views of the two committees.

The proposal is that we choose one of two ways of handling the problem. Either (a) we concentrate on the work of the trade committee, this committee, so that it is completed as quickly as possible, and the finance committee can then start its work on the issue of corporate concentration and have it completed by next October, or (b) we alternate meetings between this committee and the finance committee, the two committees aiming at concluding their work by October.

As most of you know, I took the question to a small planning meeting on Tuesday with a member of each caucus. We avoided Mr. McFadden by changing the meeting place.

Mr. Ferraro: We can understand that.

Mr. Chairman: In any event I discussed the matter with him afterwards. I think there is a consensus among the representatives of each party, but we will have to open it up for some discussion, that all this committee really needs, if we work hard, is to focus our attention on certain areas that are particularly important. We would need approximately four weeks of working time after the sitting. If the sitting does finish some time around the end of this month, that would mean we could have the matter done by the end of July. If the sitting goes into the middle of July, it would be the middle of August. That would make it possible for the finance committee to do its work in the period that follows. It might be of some advantage to the finance committee to have some time this month to do some work in preparation for its sittings starting in August.

The question the House leaders have asked me to take back is whether that is preferable or whether we would prefer an alternative meeting scheme that would result in both committees reporting some time in October.

Mr. McFadden: I find myself, as do several of us, in a situation where we are meeting ourselves coming back next week. I wonder whether we should not have had a joint meeting of our two committees because I have a

feeling I am going to be sitting here again next week with my other hat on and we are going to discuss the same matter all over again among ourselves.

Mr. Taylor: You can have a meeting with yourself.

Mr. McFadden: We could air this whole thing again in another capacity and I might change my position on the standing committee. I want to warn you, Mr. Chairman. You never know.

Miss Stephenson: You mean your right cerebral hemisphere does not know what your left cerebral hemisphere is doing. I am going to interrupt Mr. McFadden. I used to love playing hopscotch, but I think I am getting a little old for that.

Mr. Ferraro: You are not getting old; you are getting mature.

Miss Stephenson: Do you feel like playing hopscotch for the rest of your life?

Mr. Ferraro: No. I am just talking about your--

Mr. McFadden: The thing that has struck me is that while we could hopscotch potentially through to the adjournment in the sense of meeting every other week if that were felt to be appropriate and if it were felt we could do something productive on it, once the adjournment occurs, speaking for myself and perhaps for some of the other members who are on the two committees, to hopscotch through the summer on alternate weeks or something seems to be very unproductive. Both committees will lose track and will lose continuity.

It would make sense, once the adjournment comes, to concentrate first on the select committee and get its mandate finished and then move on to the standing committee's job. I do not know whether the standing committee will agree to that, but it seems to me that it makes sense to do it that way during the adjournment. Between now and the adjournment I do not think we would have any objection to alternating weeks between the two committees, bearing in mind that we could not get a lot achieved by doing that. The standing committee might get more achieved in the sense that it is in a preliminary stage and could get some background work done.

Our work, unfortunately, requires a little more than two hours here and there. You want to go on to that in a few minutes, but we have to consider seriously, before we go much further, follow-up discussions with Ottawa officials. We generally feel that there should be some review with the Washington people as well. We cannot do that on alternate Thursdays. It seems to me we would probably want to do that update relatively soon so that we can get into the picture with a briefing about what is really happening.

Having said that the alternate Thursdays might be okay, I feel that in terms of Ottawa or Washington, we would have to have more than a two-hour block to do those cities. Another thing I remind you of is that August in Washington is a completely dead issue; they will not be present. It is an election year. If we are planning anything there, we would want to do it by about mid-July.

Mr. Chairman: July as opposed to August.

10:20 a.m.

Mr. McFadden: In terms of visiting Washington.

Mr. Cordiano: There will be nobody there.

Mr. McFadden: There will be nobody there. by August, Washington pretty well closes up. There will be people there in July, because they will be trying to get a lot of stuff done. If we hang around until August, we might as well stay home. I think Ottawa is in a similar vein. They will obviously adjourn around the end of the month, so it seems to me the Ottawa and Washington trips should be taken between now and around mid-July, or not much after that.

That opens the question of how we do it if we are on alternate Thursdays to adjournment. If we do not adjourn until mid-July, we will have a bit of a problem. The committee will have to come to grips with possibly getting permission from the House or from our House leaders or whomever to have a Thursday and Friday to be away. I do not know what our respective House leaders would think about that. The House leaders tend to be quite independent-minded about what our issue seems to require. We are making some progress. We are gradually bringing them around to a more rational point of view.

In summary, alternate Thursdays would be fine, but we have to plan those Ottawa and Washington trips and they cannot be done on alternate Thursdays.

Mr. Chairman: You are really saying we want to do our work first and get it finished, are you not?

Mr. McFadden: Yes. I am presuming we will have it done at least by September so that the standing committee can get on with its mandate. We will have to find out how the standing committee feels about that. Maybe it will not agree.

Miss Stephenson: If I may interrupt, are you not really saying that a good deal of the follow-up work for the select committee depends on what we perceive as significantly changed attitudes and positions in both Ottawa and Washington, and that if we are going to produce any meaningful report as a result of this activity, we need to know that before we get into developing the final report?

Mr. Ferraro: He is also saying access is a question.

Miss Stephenson: Yes.

Mr. Cordiano: Given what you are saying--

Mr. Chairman: I have a list of speakers.

Mr. Cordiano: I thought it was a free-for-all.

Mr. Mackenzie: I do not think Mr. McFadden is too far off the discussion we had in your office, other than for one or two minor variations. We should get the work of this committee out of the way as quickly as we can and the minimum time involved is probably four weeks. Most of that will be when the House is down. The one question in the whole issue is how soon the House will adjourn for the summer.

I presume the reason we considered alternate Thursdays between the two

committees was that we heard last meeting, and it makes sense, that it wants to take a look at its terms, its schedule and how it is trying to set up what it is doing.

What I see this committee being able to do on the alternate Thursdays, if we use them, is possibly to wind up with some of the groups we did not hear but want to if they still want to make a presentation, or we could look at some informational studies or get a bit of an update from some of the ministry people. There are a number of what I would call housecleaning things. I do not think we want to go into a whole schedule of new hearings. I do not think there is any point in that, but we might clean up some of the things we did not deal with. That could be done in the two hours on Thursdays.

I think it is crucial that at least one of the four weeks be used to talk to both Ottawa and Washington people, either here or there, about the new perception and whether there is any way we can get clarification of what is and is not on the table. That has been the biggest mystery to everybody trying to assess this situation.

I would rather do this early, once the House is adjourned. I understand the argument that Washington and Ottawa are probably a dead issue by August. If we think this House will adjourn by the end of this month--I am not trying to make any predictions--it would probably make sense to try to do Washington and Ottawa in the first week, or anyhow early in the schedule. If not, we may have to consider trying to get permission for a day or two before the house adjourns. I am open on that, although I would rather not be in that kind of time bind and away from the House with everything that is going on.

With regard to the idea of alternating and using the time to clean up some of the lesser work and then doing the four weeks, it is obvious to me that we have to concentrate on two or three of the key issues if we are going to do that. We could go for 10 weeks with the list we came up with the other day. We may be able to come out with a report that takes us a little more up to date on what has been going on.

Mr. Chairman: There is a problem of lead time in planning a trip and not knowing whether we are going to have to be here.

Before I invite any other speakers, I should inform the committee that in anticipation this matter will be resolved fairly quickly and we can get on to the issue of narrowing our scope, I have invited Gary Posens, Deputy Minister of Intergovernmental Affairs, to arrive about 10:30 a.m. to discuss with us some of the areas on which we might want to be concentrate.

Mr. Cordiano: Given the time constraints in the summer months, mainly in August, which seems to be the problem, if we can continue with the work of the standing committee over the course of this month, which gives us only about another three sessions, we can start to look at the agenda we want to undertake and go beyond this with the select committee in July, undertake any of the necessary travel in July, if that is possible, and probably wrap up in August and come back to the standing committee some time in the fall and continue with its work.

Mr. Chairman: I think that given--

Mr. Cordiano: Let me reiterate if it was not clear. In the month of June, we should continue with the work of the standing committee--

Mr. Chairman: The standing committee?

Mr. Cordiano: Yes.

Miss Stephenson: Try to organize--

Mr. Cordiano: Then, in July, we can continue with the work of this committee, because we are going to have to do any necessary travel in July as opposed to August. We need five or six weeks or two months for that committee. We should look at the summer months for this committee and then come back in September with the standing committee's work before it.

Mr. Chairman: The standing committee has a bit of a disadvantage in that it has not yet met to discuss its terms of reference with regard to corporate concentration.

Mr. McGuigan: I agree generally with what has been said. With congressional elections in four months, I doubt whether it matters much what time we go. We are going to have a difficult time meeting with congressmen. You might get a better, more balanced view of what is happening in the United States by talking to the deputies than to the members of Congress. Under the circumstances, they are the people who are probably making most of the policies.

Miss Stephenson: Was that not the route that you followed primarily last time?

Mr. McGuigan: When I was there with the trade group, we talked to deputies. The message they gave us then corresponded to what has happened since. It is better for our egos if we talk to congressmen.

Mr. Mackenzie: Not necessarily.

Miss Stephenson: They are elected in a very different way and I am not at all sure there are any real comparisons. I would rather find out what is going on.

Mr. McGuigan: You can find out from the deputies just as easily as from the congressmen.

Mr. Chairman: Are you suggesting that we can go to Washington at any time? You went in August.

Miss Stephenson: My concern is that to do what we need to do in the final report is we need to have that understanding of the changes--and there is no doubt there have been changes--in perception and in concept that have occurred since last summer. I do not think we are going to be able to attack the items appropriately unless we have that understanding. We have an understanding, but it all comes from newspapers and that is not necessarily as clear as it might be.

10:30 a.m.

Mr. Cordiano: The difficulty with talking to bureaucrats is that they may not give you as full a picture of what is happening in a particular constituency as when you talk to a senator or a congressman. We found that out with the congressman we spoke to, albeit it was a minor issue.

Interjection.

Mr. Cordiano: He was talking about fish and a border dispute, I believe. Nevertheless, you can get more of that if you are talking to politicians as opposed to the bureaucrats, who may not want to comment freely at this point.

Mr. Ferraro: On that point, it is my view that we are kidding ourselves if we think we are going to get to talk to any politicians. We were there last summer and we could not get to talk to any. The only politician we got to talk to was the guy who was at the reception at the Canadian embassy to drink some of our booze. That is the reality, in my view. It is a pipedream if you think we are going to get any politicians.

Having said that, I think there is some merit in speaking to the bureaucrats, and, indeed, I thought it was very beneficial.

Mr. Mackenzie: On the same point, it does not bother me--and I do not know whether it is different for Mr. Cordiano or not--but it seems to me that the best information we got, and what turned out to be the most accurate in the long run in Washington, was from a bureaucrat named Meyers, who told us pretty well what has since developed. It had not developed at that point. We got a doggone forceful and hard-line presentation of what the mood was, what the knowledge was and all the rest of it. The events that have happened since have proved a hell of a lot of what Meyers said to be dead on. There is obviously some change in perception down there. It has become an issue now. Whether we hit actual congressmen or not does not really bother me. If we get some of the bureaucrats or full-time staff who are involved in the discussions, I think it will be worth while.

Mr. Cordiano: You made a distinction between political staff and bureaucrats. I thought we had some luck with some of the--

Mr. Mackenzie: Whoever it is; I am not sure. All I know is that he was not one of the elected politicians.

Mr. Cordiano: Political staff are obviously going to comment differently from bureaucrats.

Mr. Chairman: Miss Stephenson moves that the committee arrange for some exploratory visits to Ottawa and Washington early in July and that this arrangement be made now.

Miss Stephenson: We will have to do this whether the House is sitting or not at that point if we are really going to attempt to achieve something in the four or five weeks it is going to take to produce the final report. That still leaves June for whatever the committee decides it is going to do, but I feel strongly that if we wait until the end of July to do those, we will probably have distorted rather severely our capacity to address the narrowed list of issues that we believe are appropriate for our attention.

Interjection.

Miss Stephenson: I said Ottawa. I have a feeling that Ottawa may be even more important than Washington at this point because of changes in perception there.

Mr. Chairman: Is it possible to consider the Ottawa trip on a Friday in June?

Miss Stephenson: At the end of June, yes.

Mr. Chairman: I take it you are presuming in your motion that the committee will be meeting in July or that this committee should finish its work.

Miss Stephenson: This committee will be meeting in July, because it seems to be the consensus that the select committee should be concentrating its efforts in the month of July with the aspiration to a relatively early completion date. Whether that is going to be the end of July or some time in August I cannot tell you. Maybe the guru sitting there can tell us, but I have a feeling he cannot. It will be some time between the end of July and the end of August when we get the select committee report finalized. It was on that basis that I was making this recommendation.

Mr. Chairman: Would it be appropriate to incorporate that presumption into your motion?

Miss Stephenson: Of course.

Mr. Chairman: All right. We have a motion on the floor. Do you want to speak to the motion?

Mr. Morin-Strom: I was going to speak to other things as well, but I will speak to the motion too.

I do not think we should go in June. The timing is inappropriate. We cannot go while the House is sitting, because I do not see us being able to do it within one day and probably not within two. We have to go to Washington for three or four days.

Mr. Taylor: --the Sault and Wawa.

Mr. Morin-Strom: If you think we can all leave here for three or four days, that is fine. I do not think we can.

Miss Stephenson: I am not suggesting we have to do them back to back at all.

Mr. Morin-Strom: I am concentrating basically on the Washington trip. The Ottawa trip we perhaps can do in June. I perceive the Washington one as being more important because we have less information on what is going on in Washington and the press is not covering--

Miss Stephenson: I am not sure about that.

Mr. Morin-Strom: We hear the highlights of it, but we do not hear the details. The Canadian issue is being covered in the press on a day-to-day basis in minute detail, everything that the press can get its hands on. In Washington we have to pry out more information. There is more to be learned there potentially.

Concerning Washington, I want to speak to the timeliness again. The focus is on staff people. We are not going to speak to politicians there; we are going to talk to staff people. I am not sure that when we go is very critical to when they are available. It has to be timely. There are things going on, so the shorter the time is between when we talk to the people and when we make our conclusions and come up with our recommendations, the more relevant what we are doing is going to be.

Concerning the kinds of people we want to talk to, it was quite interesting to see the different perspectives among staff people for congressional committees, those for Senate committees and the administration people. We want to get that cross-perspective again by ensuring that we talk to people working for the administration, for the Congress and for the Senate.

As well, there is a large staff, of course, in the case of the Senate for the majority and the minority, the Republican staff versus the Democratic staff. I think Meyers was the Republican staff member. He gave us quite an interesting perspective on how their Senators see things. It would be helpful if we had perspectives from both sides.

It is critical to get information on the views of those senators who will eventually be involved in the vote. We had the vote of 10 to 10. Perhaps it would be interesting to speak to someone from the staff of the 10 who supported the talks and to a staff member for a senator who will give us a perspective on why the others voted against the talks. It is vitally important that we concentrate on what was behind those and where the thinking is going in the Senate.

On the Congress side, they are not involved in the approval of treaties, but they are very heavily involved in the advocacy of and moving forward on the protectionist bills. There again, it has been my understanding that it is being dominated by the Democratic House of Representatives. We want to talk to a staff member who is knowledgeable about what is going on in the trade committee within the House of Representatives from the majority side.

Miss Stephenson: Did you see that article in the New York Times two or three Sundays ago on the 10-to-10 vote?

Mr. Morin-Strom: I did not.

Miss Stephenson: It was interesting. I am not sure how critical it was, but it was a fascinating discussion. It had more to do with personalities than it had to do with politics, I think.

Mr. Chairman: Undoubtedly. Any other discussion?

Mr. Mackenzie: Maybe we can get the Ottawa weekend in, and do the Washington the first one, if we can get out of here in time.

Mr. Chairman: The motion is as follows--

Clerk of the Committee: That the committee arrange an exploratory trip early in July to Ottawa and Washington, and that this committee sit through July and August until the report is concluded.

Miss Stephenson: I said I did not know how long it would take. I wagered it would be somewhere between the end of July and the end of August. I simply do not know. It should have been "trips," not "trip."

10:40 a.m.

Mr. Taylor: Is it possible to be a little more flexible on that: "as early as feasible" or some such expression? The resources committee, through your prompting, Mr. Morin-Strom, went to Wawa and Sault Ste. Marie because of the concern about Algoma Steel, and it is all tied in with the trade issue. If that was a matter of urgency, and the committee still has carriage of that

matter, why could the committee not go to Ottawa, for example, this month, or in July if the House is sitting?

This is even more important. Why could we not be a little more flexible on it? It is important to get this committee's work over with within the time that is permitted us. I am asking for some potential for flexibility; that is all. You make that decision. If it can work out earlier, fine.

Mr. Chairman: You are suggesting that, regardless of whether the House is sitting, we should plan these trips.

Mr. Taylor: As early as is feasible.

Mr. Chairman: As early as is feasible.

Mr. Ferraro: I have just one comment; I apologize for this. I am in somewhat of a quandary here in not having defined specifically the narrowed scope of what this committee is going to address. We seem to be becoming preoccupied with arranging our itinerary for trips to Ottawa and Washington. Indeed, and I say this respectfully, the scope as defined by this committee should set the mandate for when and if we are going to go on any and all trips, in my view.

Mr. Chairman: I suggest, though, that if we can agree it is not an infinite committee and that we should try to get our work cleaned up within four weeks of the House sitting, then we are going to have to do some weeding among the various areas we are looking at. It might be easier to do this weeding knowing we have only four weeks to sit.

Mr. Cordiano: I thought we had discussed some of those issues at our last meeting, where we attempted to define some of the major areas we--

Mr. Chairman: You did. I think Mr. Ferraro is saying we should be doing that now before we talk about how long we are going to set.

Mr. McGuigan: Whether it is a narrow scope or a broad scope, the changed mood in Ottawa and in Washington has to be ascertained, regardless of the scope of our talks.

Mr. Barlow: One of our priorities is a trip to Washington and Ottawa to discuss with officials at both centres. I certainly support the suggestion put forward that, if we can get the Ottawa trip in just as quickly as we can get it organized, even while the House is sitting, whether it is a Thursday and Friday or just a Friday--whatever might be required--it would be to our advantage. That is one less thing we will have to do while the House is on break.

Mr. Chairman: Would you be prepared, Miss Stephenson, to have the wording of your motion altered to permit flexibility--presuming, though, that both trips are completed by mid-July?

Miss Stephenson: I would have no difficulty with that at all. I was hoping to have the opportunity to say that it seems to me that trade negotiations, like politics, are part and parcel of the art of the possible. It may be that some or one or two of the items we had put on our list would appear not to be necessarily the kinds of things we could explore fruitfully further than we already have. That is why I felt it was necessary early in the final or the penultimate activity of this committee that those trips to

Washington and to Ottawa be carried out, so that we would have some idea about whether the directions we were considering pursuing were indeed the most fruitful for us to pursue at this stage of the game.

There is no doubt in my mind that there will be some things on which we will have to learn to say: "we disagree completely because we think this is important, but from what we hear we do not think it is going to be dealt with appropriately. We therefore have some concern about it." If we can make a contribution in other areas, it will depend on our knowledge about whether there is a possibility of making a contribution or not. That is why I would suggest the trip be early.

I have no difficulty with a modification of the resolution that would suggest that our trip to Ottawa be as soon as possible and that the trip to Washington be not later than mid-July. That would accomplish, I think, what we are trying to achieve.

Mr. Taylor: This committee might self-destruct if we are not granted an extension.

Mr. Chairman: All right. The motion is on the floor. Is there any further discussion? Does everyone understand the motion? All in favour? Opposed?

Motion agreed to.

Mr. Chairman: That settles the issue of when we are sitting, except the problems of whether we are going to alternate in the months of June--

Mr. Morin-Strom: It settles when we are travelling.

Miss Stephenson: No. It also suggests that the select committee will continue its work until completion.

Mr. Morin-Strom: And completion will be by the end of August.

Miss Stephenson: Obviously.

Mr. Morin-Strom: We should include that kind of limit.

Mr. Chairman: I asked Miss Stephenson whether she did not mind that being included in the motion.

Mr. Morin-Strom: It was, I think.

Mr. Chairman: Do you want to take the vote again?

Miss Stephenson: No; it is there. I just said between the end of July and the end of August. I cannot tell you about that kind of thing.

Mr. Chairman: There are only four sitting Thursdays left in June. I do not know whether a great deal flows on that issue. Is the committee prepared to forfeit next week for the standing committee on finance and economic affairs?

Mr. Mackenzie: Yes, I think so.

Mr. Chairman: Is that a consensus?

Mr. Cordiano: I thought we said that, for the rest of the time remaining in this month, the other committee would apportion its work according to the mandate and according to the agenda it sets for the fall.

Mr. Chairman: I do not think we have decided that, Mr. Cordiano. It may be something you want to discuss now.

Mr. Cordiano: No. I meant that the standing committee on finance would meet during the next two or three sessions, if that is the time required. I do not know; perhaps we can do that in two sessions. That is only for two hours each week.

Mr. Ferraro: May I suggest that this whole conversation is totally out of order, since I am not a member of that committee?

Mr. Cordiano: It is not out of order.

Interjections.

Mr. Mackenzie: We have the suggestion, and it makes sense, that we can alternate them if necessary. However, the suggestion that has been made, that that committee meet next week, probably makes sense because it does want to order its business. I do not see anything wrong with that and I do not know why any question was raised on it.

Mr. Chairman: I think Mr. Cordiano is suggesting they continue to meet the rest of this month--

Mr. Mackenzie: Maybe we will find out what it suggests after its meeting.

Mr. Cordiano: I am saying that you have to be flexible in order to allow that committee to organize its work. It may not be possible to do it in one session of two hours.

Mr. Morin-Strom: Really, we have only three more Fridays left this month after today.

Mr. Chairman: Yes.

Mr. Morin-Strom: We are talking about trying to go to Ottawa as quickly as possible, which means, presumably, that that will be one of those three if we are going to do it in June. Otherwise, we are talking about the start of July again. I would think that what we are talking about here is two of the three for the other committee. In the third one we should try to get our trip to Ottawa done on a Thursday and a Friday.

Mr. Cordiano: Leave it up to the chairman to decide which one of those--

Mr. Chairman: Is that a consensus then? You are forfeiting next week. The following two weeks are at my discretion.

Interjection: That is right.

Mr. Taylor: However, bear in mind that it is important to the committee to know whether the time frame for its final report will be extended by the House. As I recollect, it is in July. Is it July 10?

Miss Stephenson: July 10.

Mr. Taylor: If the committee self-destructs on July 10, then every week is going to be important for this committee between now and July 10.

Mr. Chairman: I have been wrong before in interpreting what the House leaders were saying, but my understanding at the moment is that they are prepared to live with our insistence that we have to go longer than July 10. They want to know how much longer and, if we are reasonable in what we are saying this morning--and I think we are--they are prepared to permit a motion to be brought before the House to extend it.

Mr. Taylor: We had that resolution from this committee last day.

Mr. Chairman: It was presented to the House.

Mr. Taylor: They should know.

Mr. Chairman: They certainly know what our views are.

Mr. Taylor: We have requested an extension to a fixed date, have we?

Mr. Chairman: If suddenly we were getting a different picture from the House leaders, obviously we would have a serious problem and we would have to meet to discuss that.

Mr. Mackenzie: I am speaking only about what was reported to our caucus, but it was very clear, and also from instructions we had, that they were waiting for our recommendation and that as long as it was fairly reasonable, there would be no problem as far as House leaders were concerned.

10:50 a.m.

Mr. Chairman: Yes, and as long as we were prepared to work towards giving space to the finance committee to get its work done, and it sounds as though we are.

We have cleaned up all our housekeeping, and I thought I saw Mr. Posen walk past the door about 20 minutes ago. I do not know whether he went home. I will have the clerk check. We will adjourn for a minute.

The committee recessed at 10:50 a.m.

10:51 a.m.

Mr. Chairman: Mr. Posen, I appreciate your waiting. I saw you go by the door about 20 minutes ago. We have our housekeeping cleaned up, except that the committee has not discussed whether it wants this portion of the sitting this morning to be in camera or with Hansard. I will throw out that question. If there is any discussion or if there is not, Hansard will continue and presumably reporters can come in and out of the room.

Miss Stephenson: Is the deputy going to say something that people should not hear? As a matter of fact, my favourite program demonstrates very clearly that deputies frequently say things they should not say. They frequently say nothing about the things they should talk a lot about, but never in Ontario.

Mr. Chairman: I take it there is a consensus that we remain on the record. I invited Mr. Posen here today to discuss briefly with us some of the areas that might be helpful to the province from a tactical point of view in narrowing the scope of our activity over the course of the next two months.

You might want to be aware, Mr. Posen, that the committee has decided that it wishes to try and get its work done so a report is completed and tabled some time between the end of July and the end of August. We wish to inspect the cities of Ottawa and Washington again to see what the temperature is. We have not discussed areas of interest this morning. Perhaps you could give us the benefit of your views.

Mr. Posen: I want to do three things this morning. First, I will table with the committee a summary report on U.S. contingency protection laws. It is a brief description of the antidumping approach, the countervail approach, the section 201 and section 301 procedures. In the last little while all these various procedures have been used one way or another. Two of them give the President some discretion, including the snakes and shingles decision he made.

Once the antidumping and countervail findings are made, there is no discretion on the part of the U.S. administration, so it may be useful as the world unfolds in the next little while that committee members have that information.

Mr. Mackenzie: There is one question I would like to ask before we get into it, because I may have to leave to go into the House in a few minutes to speak on a bill.

There was a piece in the paper, I believe today or yesterday, which indicated that nothing could have been done about the snakes and shingles issue once it was in the mill. The question that crossed my mind immediately--I think the comments came from the United States ambassador, Mr. Niles--was how many more such items are in the mill at the moment. Do we have any idea what could hit us in addition to the softwood lumber over the next month or two regardless of whether we are into negotiations?

Mr. Posen: My understanding is that there was some choice in the snakes and shingles. That was a discretionary item for the President to decide whether he wanted to move on. The softwood lumber is not.

Mr. Mackenzie: Maybe I was reading it wrong, and it was the softwood lumber.

Mr. Posen: That is moving on the countervail basis. If there is a finding in favour of the US petitioners on that, the results are inevitable.

Mr. Mackenzie: The question still stands. Are there any other items in addition that are moving across?

Mr. Posen: I do not have a list in front of me. We have all read that some of the US legislators have been urging some of the US parts industry to raise our parts as a countervail issue. Each US industry that feels itself done in by its competitors from Canada or elsewhere has the contingency option.

Mr. Mackenzie: So there could well be a list that is proceeding under countervail which we will not be able to stop regardless. It could hit at any time during the course of negotiations.

Mr. Posen: That is right. There is nothing--

Mr. Cordiano: There are 300 bills.

Mr. Posen: The trade bills were there. There is one now reported out of the House, and I expect over the next few weeks the Senate will be discussing a trade bill to report out. Our expectation is that the Senate and House versions will not be totally compatible. There will have to be a lot of negotiation to see if they can come up with something they can agree on.

Because we have not seen the Senate, I have no sense yet whether, when we get to that stage, it will be possible to agree on an approach. Politically, the President's party has a problem. They do not want to go into the mid-term elections with this as a monkey on their back. They will have to report something out to show there is concern about jobs back home, as the Democrats are doing.

Interjection.

Mr. Posen: Yes, but we are not aware of any way that, during the Canada-US discussions, the current US contingency legislation procedures can be suspended. That is a problem that is going to bedevil the discussions throughout.

Mr. Cordiano: Can I ask a question, or do you have a list?

Mr. Chairman: Which do you prefer? Perhaps it would be better if we permitted you to conclude.

Mr. Posen: Let me put it this way. There were three things I was going to talk about.

Mr. Chairman: I will take a speakers' list.

Mr. Posen: First is the report I have tabled. Second, I want to talk briefly about the first ministers' conference on Monday night. Third, as requested, I will share my perspectives on what priorities, what kind of focus the committee may wish to consider as it is looking at its final report.

At the first ministers' conference, as I explained to my own staff, there were three areas. The first ministers were on a playing field in a room by themselves, so to speak; one official from each government was in the dugout next door, and anyone else who was there was in the bullpen somewhere off in left or right field for that period.

The only people who heard the discussion were the first ministers themselves, but when they did come out after about three hours of discussion, first, they had agreed they would meet at least every three months to review the progress of the negotiations and to consider the issues in the next stage of the negotiations. Second, they had established a ministers' committee chaired by Mr. Clark, who will be the political filter for any items going forward to the first ministers.

Third, they had mandated the continuing committee on trade negotiations chaired by Mr. Reisman to continue to be the officials' level for exchange of information and views, in effect, the focus for the technical review of issues, and to get quick feedback from Mr. Reisman and his staff on the progress on the Canada-US negotiations. I believe Mr. Reisman is next scheduled to meet with Mr. Murphy on June 15.

11 a.m.

Fourth, they had identified for future discussion the issue of ratification. If there is an agreement between Canada and the US on bilateral trade and if it does include areas of provincial jurisdiction or control, what is the process by which provinces will sign on to that agreement? I will come back to that, because it is one of the areas the committee may wish to do some thinking about. Maybe it is easier to stop there and answer any questions on those two aspects and then deal with the final issue.

Mr. Cordiano: My question may not deal with what you just talked about.

Mr. Chairman: Perhaps we should start with what was just talked about and get back to you later. Does anyone have a question on this?

Miss Stephenson: Is the ministers' meeting with Mr. Clark to funnel items to the committee to be made up of ministers with responsibilities for intergovernmental affairs?

Mr. Posen: It could be intergovernmental affairs, trade or whatever. Each province will choose who to assign to that role. It will be up to the government to make a decision on that.

The ministers' committee will look at the reports of the negotiations and identify the kinds of issues that will be coming up in the negotiations. The officials can express the government's views on technical matters, but at some point there will be need for a political discussion of how to proceed.

Mr. Cordiano: Out of curiosity, do we have any idea how the Americans have organized themselves?

Mr. Posen: I do not have a clear notion. One of the difficulties is that the provinces will not be in the room. We will be asking Mr. Reisman if he has a good sense of how the Americans are organized. Our sense is that Mr. Murphy is controlling a relatively small team but he has the authority to plug into any of the major US departments and get the information or backup he requires.

Mr. Cordiano: What role will the Senate play?

Mr. Posen: It is not clear how they are being plugged in. I hope that is one of the things you will be able to find out during your trip to Washington.

Mr. Cordiano: That is good to know.

Mr. Posen: They are not in the room, so there has to be a way. Assuming the administration has made some commitment to the Senate to keep them in touch, there is another process somewhere, whether it is through administration liaison with Murphy's people to the senators or whether one of the Murphy group has that as a responsibility. That remains to be seen.

Mr. Cordiano: It is fairly important for us to delve into that and explore the possibility if it is not hidden behind incredible layers of secrecy. It would be useful to find out.

Mr. McGuigan: The problem is that the provinces are not at the table. The provincial Premiers have indicated in this respect that it is really going to be Mr. Reisman's team which will report back from time to time. We are not going to be in the room or even in the next room.

Mr. Posen: That is my understanding as well. The check will be the quarterly meeting of first ministers. Coming back from the Halifax first ministers' meeting, I recall the Ontario government publicly said that being in the room was not a priority for the government but that having some role in setting the mandate and having the opportunity at the end of the process to say no to it were the important checks.

Mr. McGuigan: The bottom line for us then is ratification. It is probably one of the things--

Mr. Posen: It is at both ends. While Mr. Reisman is at the table negotiating without the provincial presence, the intention is that what he is negotiating will be based on some degree of consensus among the 11 governments.

Miss Stephenson: That is not such a different structure from labour-management negotiations that we see when groups of managers and groups of unions are involved. The mandate is not that each one of them sit at the table. That happens in some circumstances and it is terrible, but there is a delegated responsibility which ensures not only that there is feedback but also that parameters are set for the negotiator for the areas he can explore.

Mr. Posen: It is similar.

Miss Stephenson: Do we find that particularly distressing?

Mr. McGuigan: It is a tried and true method.

Miss Stephenson: Yes. It is one that has been used for a long time.

Mr. Posen: Assuming goodwill on the side of all the participants, it could and should work.

Mr. Mackenzie: It seems what we are getting is more like an update. There is no actual participation.

Mr. Posen: That is a possibility, and it would be very frustrating. My guess is that it would lead to a number of very angry Premiers at the end of the first three months because they would have been reduced to relatively passive participants at that point. One of the early measures is going to be whether Mr. Reisman and company are sincere about getting provincial input into the position they are developing and taking it into the negotiations.

If it is a passive situation where they sit and listen to the provinces and then go off and do their own thing and report back to the provinces as they see fit, the frustration will grow very quickly.

Mr. Ferraro: I have two points of clarification that are related. I do not want to detract from Mr. Posen's remarks, but I recall asking earlier in the committee deliberations, last fall or last summer, for a synopsis or summary to be prepared by research on the auto pact. I stand to be corrected by other members who may be aware of the fact, but I do not recall ever receiving that summary.

Mr. Chairman: Was it not the General Agreement on Tariffs and Trade you asked for?

Mr. Ferraro: No, I thought it was the auto pact.

Mr. Trafficante: I gave you information on the auto pact.

Mr. Ferraro: Do other members of the committee recall receiving a synopsis of the auto pact agreement?

Mr. Trafficante: I gave you information on the auto pact, but I did not prepare it myself.

Mr. Ferraro: I do not recall even receiving the information, but I stand corrected.

Mr. Trafficante: I gave you some articles on the auto pact.

Miss Stephenson: We had some articles on the auto pact.

Mr. Trafficante: That is right.

Mr. Chairman: In any event, what would you like now?

Mr. Ferraro: Because it is going to play such an important role, maybe we can get a short summary of the facts pertaining to the auto pact.

Mr. Trafficante: Sure.

Mr. Ferraro: I would like to address another point to Mr. Posen. It seems the International Trade Commission is being quoted and involved more and more, particularly as of late. Can Mr. Posen tell me the composition of the ITC? I know it has a very bright lady as chairman.

Mr. Posen: I am not sure of the numbers, but as is the usual process in the US, they are administration appointments.

Mr. Ferraro: Are they all Americans?

Mr. Posen: Yes, for a fixed term. It is the International Trade Commission of the United States. It is not a neutral body; it is a quasi-judicial body making rulings on the basis of US trade legislation. They build up a precedent in the committee and they have done some good things from time to time. As of today, they found the Kenhar fork-lift case had no merit.

Mr. Ferraro: That happens to be in my riding. Having said that, my final question on this is, in essence, am I correct that Reagan cannot do a damn thing about a ruling by the ITC? I think I heard that on the news this morning.

Mr. Posen: It depends under which procedure it is operating. If it is an antidumping case and it makes the finding, then there is no option. If it is a countervail and it makes the finding that there is a subsidy, there is no option.

Mr. Ferraro: As opposed to 201 and 301?

Mr. Posen: With 201 and 301, there is discretion.

11:10 a.m.

Mr. Ferraro: But are there court proceedings in the first two circumstances?

Mr. Posen: In the sense, if I remember correctly, that both the International Trade Commission and the Department of Commerce are involved in antidumping and countervail in terms of finding whether there is injury and then the amount of injury, or whether there is subsidy and the amount of subsidy. Once there is that finding then the law requires that a tariff be placed on the--

Mr. Ferraro: Is it correct that the only recourse is to the courts, through the judiciary?

Mr. Posen: Yes. I am not sure there is much, unless there is an error in law or judgement.

Mr. Ferraro: On Canada AM this morning, I thought the chairman of the United States International Trade Commission indicated that we could proceed through the courts if they found the--

Mr. Chairman: I cannot hear you.

Mr. Ferraro: I am sorry. The chairman, I believe, of the ITC indicated that if you did not agree with either the antidumping ruling or the countervailing ruling or the ITC your only recourse in those two circumstances is to the judiciary, and that indeed there was a further recourse.

Mr. Posen: There must be an appeal to the courts on some basis.

Mr. Ferraro: But you are not sure on that, sir?

Mr. Posen: No, but I would assume that from any administrative tribunal there is some kind of appeal to the courts, but I would expect that it is on a fairly limited basis.

Mr. Chairman: Are those appeals usually simply on issues of law, as opposed to the substance of the complaint?

Miss Stephenson: That has been the mystery. Is it limited to issues of law? I do not know that.

The question I wanted to ask was concerning the role of the committee of ministers. The first ministers are going to meet every three months, and as you suggested, they will in fact achieve a role of receiving the reports from the negotiating team.

Mr. Posen: I would think it is again looking in both directions. One, having a sense of what was discussed over the last three months, and then looking forward to what is likely to be discussed over the next three months.

Miss Stephenson: If the role of the committee of ministers is precisely the same, then it seems to me that there is inappropriate duplication. I am wondering whether the role of the ministers is to provide the pre-negotiating input in a way which ensures that the concerns of provinces are in fact in the minds of the negotiators? How often are they going to meet? If they are going to meet once a month or something of that sort, then obviously that is going to be a fairly useful kind of exercise.

Mr. Posen: The terms of reference have not been set. Logically, what would be the role is that they would be looking at issues where there is no consensus and see if they can arrive at one, if possible, or, in that case, identify for the first ministers where there are differences. On that basis the federal government is going to have some knitting together to do in order to get a coherent Canadian position. There has been some suggestion they would meet as often as monthly.

Mr. Morin-Strom: On this issue of the President not having any influence on the antidumping or the countervailing duty provisions, it appears in your write-up that the Department of Commerce is part of the decision-making process. It is not--

Mr. Posen: Yes, it is. It is "findings of fact."

Mr. Morin-Strom: No, it says here, at the top of page 2, "the law specifies a timetable for the acceptance or rejection of a case by the DOC." They can accept or reject the ITC recommendation, I guess. Does the Department of Commerce report to the President?

Mr. Posen: I would think in this case they have to make that decision. I am not sure they can go to the President. I think what would be useful is to get someone who has more expertise in detail on this than I do.

Mr. Morin-Strom: I understand you are saying the other shoe is that the President has to make quite a specific decision himself. My point is that the Department of Commerce does report to the administration, and is part of the administration.

Mr. Posen: On the others, they can find that there is injury, they can find that the US industry is in trouble, and the President can still say, "I am not planning to do anything about it." I think in the other two cases where they do find there is injury and all the decisions are made, in that sense he is not asked, and the technical provisions of the trade legislation come into effect. I am sure it was written that way by Congress to make sure there was as little discretion on the part of the administration as possible in those cases. But the administration's input then is into the findings. It is shared in that sense between ITC and Commerce. I would expect that Commerce bureaucrats are making their finding on how that finally turns out, I am sure it has some political gloss on it as well.

Mr. Chairman: Any other questions on that?

Mr. Ferraro: Can I just interject? Maybe I am getting confused with Mr. Morin-Strom's question. The way I read that, it indicates that after a petition has been filed but before the ITC makes a ruling, the DOC has to make a decision. Is that correct, or am I interpreting that wrongly?

Mr. Posen: (Inaudible) with the facts.

Mr. Ferraro: In fact, if that is the case I am not sure we are at odds with terminology.

Miss Stephenson: It establishes a timetable for both of them actually, does it not?

Mr. Ferraro: My point is, does the DOC make a ruling before the ITC actually deals with the issue? In other words, the merits of the statement that indeed the President does not have a say after the ruling would hold true.

Mr. Morin-Strom: My point is that for a high-profile issue the decision is going to be made, I would think, from the Department of Commerce by the Secretary of Commerce, who is directly--

Mr. Ferraro: Who is the president.

Mr. Morin-Strom: --but before the ITC makes the ruling, though. If that is the case, he enables the case to go forward.

Mr. Ferraro: I understood your line of questioning to be after.

Miss Stephenson: Is not the timetable the determination of an injury before the expiration of the appropriate kind of recompense for that, or solution for that injury?

Mr. Posen: Go back to the third paragraph under antidumping: "The law provides that an antidumping duty shall be imposed if two conditions are met. First, the Department of Commerce must determine that a class of merchandise is being sold in the US at less than fair value." That is the first decision.

Secondly, "the ITC must determine that an industry in the US is materially injured or the establishment of an industry is retarded by the imports." If the DOC says that it is sold at less than fair value, then the injury test is the second one and the ITC does that.

Mr. Ferraro: In other words, the statement that the President does not have any influence under the ITC holds true in those two cases?

Mr. Chairman: I wonder whether I could ask a question that follows up from all this? It is a general question. These issues are issues that we are grappling with here. There are issues that we are not hearing at all being brought forward by our own federal government as to areas that we want to obtain something from this agreement.

For instance, countervail surely should be on the table and yet the American government, when we were down there, looked askance at us for even suggesting it. Why are they not being more aggressive?

Mr. Posen: Whether they are being aggressive, or Mr. Reisman is being aggressive with Mr. Murphy--

Mr. Chairman: He may be.

Mr. Posen: --none of us know. There are two or three things I would raise with you, things that you may wish to consider in the next phase of your discussions as you are writing your report.

One is, what is the bottom line from the perspective of the committee? There are Canada-US negotiations. What bottom-line objectives would the committee see having to be achieved for an agreement to be in the ball park for Ontario, for Canada? It seems to me that US contingency legislation, some limitation on that contingency legislation on both sides of the border would have to be one thing you may wish to consider.

If the US were to say: "Absolutely no way; Congress wants that legislation and the flexibility they have to continue. They want their constituents to be able to raise countervail problems and let it go through

the process." If there are no limitations on those procedures, would that be grounds for us to walk away? If we cannot get that much in the agreement, is that a measure from your perspective that the discussions have failed? We ought to go from there.

11:20 a.m.

The second area to look at, and it has not been talked about very much anywhere yet, is adjustment needs. It seems to me that Ottawa does not want to talk about that in detail to us. I think that internally they are beginning to do some work on it, but from perspectives of the groups, industries, individuals you talked to, what are the needs of capital adjustment for firms going to compete in the United States market that want to expand? What community adjustment funding procedures are going to be needed for communities whose industries are facing change and what worker retraining adjustment programs should be put in place? Can all these things be set up so that the Americans do not consider them subsidies and we do not suddenly face contingent action on the American side for all these adjustment processes and the Americans say, "In a way, they are subsidies to your industries and your workers"?

A third area I suggest is ratification. We are just beginning to realize we have never gone through a process like the current one. Ottawa is very leery of defining a formal provincial role at the end of this. When we look at past treaties the government of Canada has signed, if the treaties included areas of provincial jurisdiction, each province has been asked to ratify the treaty, in effect to take on the obligation to change its provincial policies and regulations so they would accord with the treaty. My understanding is that they made it clear to the United Nations and other international agencies or other countries that if the area of a treaty involved provincial jurisdiction, Canada could take on only the full obligations of the treaty after all provinces had ratified the treaty.

That is the procedure that has been used thus far--unanimity. Everybody has to sign on. Canada signs the treaty but it can be carried out only in so far as each and every province decides that within its area of jurisdiction and control it will take on the obligations and implement the aspects of the treaty.

In this case, if what we are looking at in the way of an agreement with the US has the character of a treaty, what is the process by which provinces will sign on? That is an interesting area to explore. British Columbia in particular has been raising this issue. They have suggested that the current amending formula number should be used, seven provinces representing 50 per cent of the Canadian population. Once the federal Parliament and provincial legislatures representing those seven provinces and 50 per cent of the population have signed, it will be binding on everybody.

Mr. Chairman: Will we not have to amend our Constitution to do that?

Mr. Posen: Yes, the interesting part about that is for it to be binding, you have to amend the Constitution, and my understanding is it would require unanimity to achieve that formula. The other interesting thing about that formula is that it requires Ontario or Quebec, but not both, to be one of the seven to get the 50 per cent population factor. This is an interesting question for the committee. Do you think it realistic that Ontario could be outside such a consensus or do you think it realistic that Quebec would accept a formula in which it could be outside the consensus? As a province, it has had more experience being outside a national consensus.

Mr. Ferraro: For explanation and clarification purposes, if nothing else, notwithstanding that definitive right of the provinces to indicate their assent or dissent, what other methods will be in the arsenal of the federal government, save and except yelling and screaming and holding back some money, to force the provinces.

Mr. Posen: The constitutional lawyers are going to have a field day with this one because the legal precedents are not many in number. We always go back to the 1937 labour conventions case in which the outcome was that the federal government cannot use a treaty of international agreement as a means of moving into provincial areas of jurisdiction, legislating in provincial areas of jurisdiction.

I would not be surprised if the federal government has been asking its constitutional lawyers to give it a sense of the strength of that case and whether an attempt with slight differences to move in another direction, that there is a possibility it could sign a treaty and it would be binding on--

Mr. Ferraro: Expound on other directions for me.

Mr. Posen: Other directions? The federal government could split the agreement into parts. Clearly, there are certain things they could sign and do themselves. After that, it seems to me it is a question of politics in the country, of regional pressures, of fiscal relations, a full arsenal of influencing, if that is the correct word, that governments in Canada have been wont to use from time to time.

Mr. McGuigan: On your first point of countervail, it is only realistic to accept that the United States Congress is not going to give up the countervail law. We might pursue clarification of countervail to see what is used in determining countervail rather than actually trying to get rid of the countervail first. There are times under the General Agreement on Tariffs and Trade when we would want to use countervail ourselves and put the shoe on the other foot. I do not think we would want to give up our rights to countervail if someone were clearly putting a subsidized product on our market.

Miss Stephenson: Surely, it would narrow the basis upon which countervail could be imposed, if there is any kind of agreement.

Mr. McGuigan: That is what I was saying.

Miss Stephenson: Having the whole range of activities available to them now is counterproductive as far as any agreement is concerned.

Mr. McGuigan: For instance, they do not take into account their own subsidies.

Miss Stephenson: That is right.

Mr. Posen: Nobody is going to do away with protection and not have their own defence mechanisms but it is possible we could reach agreement jointly on what constitutes a subsidy, on what is injury--that kind of situation. It seems to me then at least we have a known playing field. With the situation right now, the US is free to change some of those definitions and adjust them on the basis of the decisions being made through legislative definitions in those laws, as indeed their omnibus trade bill does.

Mr. Taylor: An acceptable dispute-resolving forum.

Mr. Posen: That is going to be another difficult problem. When you have two parties, how do you have a decision-making process in that dispute settlement forum? Somewhere there has to be a neutral or impartial chairman.

Mr. Chairman: Our committee, in its interim report, suggested a forum similar to the International Boundary Commission, United States and Canada, or something of that nature. There is also an argument that this would not be terribly successful because they are bigger than we are, which I think we hear you hinting at. How does that compare with the GATT process? What about simply leaving it to the structure already in place with regard to the GATT and perhaps letting third countries make the decisions?

Mr. Posen: It is possible. The only thing I sense is that the agreement would be between Canada and the US. It would be within the GATT framework but it would be different from GATT. Third parties of all countries under GATT are familiar with the GATT treaty. How many third parties will be familiar with the ins or outs of Canada-US trade?

Mr. Chairman: Or want to become familiar.

Mr. Posen: Some of them may wish to have an influence.

Mr. McGuigan: The big criticism of GATT is that the dispute-settling mechanism does not work.

Mr. Posen: Or that it is very slow.

Mr. McGuigan: Both. It is very slow and, in the final analysis, if one of the countries says, "We are going to ignore it," it goes on and ignores it.

11:30 a.m.

Mr. Posen: That is true of most international bodies. With the International Court of Justice it is the same thing. If a country wants to snub its nose at the decision because, for its own reasons whatever they may be, he can do so. Either the countries want to make this work or do not. The pain of the short-term decision is so great that the long-term inconvenience, or the breakdown in the agreement over the long term, is taken as an acceptable risk.

Mr. Chairman: There is no magic answer then.

Mr. Posen: No. Again, to the extent that you are talking to people in the United States, it is another area that is worth exploring. I would guess not many have turned their minds to it at all.

Mr. Chairman: I do not see any other hands up. Do you have anything else you wish to say?

Mr. Posen: Just to note I have a meeting at 11:30.

Mr. Chairman: All right. You are already late. We appreciate very much your giving us the benefit of your knowledge and expertise in the area. I have taken three specific notes here as to where you would suggest the committee look: what is the bottom line; where do we walk away if we do; what adjustment procedures should we be working at putting into place. And there is also ratification. Thank you very much for your help, sir. I appreciate your taking your time; I know you are a busy man.

There are two matters that we can spend the rest of our time on this morning. One is to continue a debate that was commenced last week in my absence on the areas in which we want to narrow the process down, and second, passing a budget. We have a draft budget. I am open to suggestions from the committee as to which you want to discuss first, because sometimes these become chicken-and-egg things.

Mr. Ferraro: Why do we not try to deal with the budget? I suspect if we get into some debate on the other it might be prolonged.

Mr. Chairman: All right. We have a draft budget which includes, lo and behold, trips to Ottawa and Washington.

Miss Stephenson: What do you know.

Mr. Chairman: There is one change that perhaps would have to be considered. That involves the catering. The \$500 is probably a little low in view of the time spans we are talking about, and \$1,500 may be more appropriate.

Mr. Barlow: An additional \$1,500, is that what you are saying?

Mr. Chairman: An additional \$1,500.

Miss Stephenson: I am trying to remember what that astronomical fee is for coffee.

Mr. Chairman: I recall the first term this committee spent \$6,000 on coffee.

Clerk Pro Tem: It runs about \$100 a day.

Miss Stephenson: I knew that it was a large figure, one that I really did not believe when I first saw it.

Mr. Chairman: Refill your cup and get your money's worth.

Miss Stephenson: I still have difficulty believing it.

Mr. Taylor: It might be cheaper, without sounding parsimonious, to have coffee from the cafeteria or something, on a demand basis, rather than to have a whole cistern of coffee over there and then return most of it at the end of the day.

Mr. Ferraro: I agree with you.

Mr. Chairman: I think the board would be very impressed if I came and told them that we were doing that instead of having an urn in here. They might be so impressed they will not question going to Washington at all.

Miss Stephenson: I was going to suggest something. I have a very large coffee maker. We could set it up each morning and make the coffee ourselves and buy the ruddy coffee. That is an incredible amount of money for coffee.

Mr. Taylor: If someone wants a coffee we could have--

Miss Stephenson: A runner--

Mr. Taylor: --it sent up on an individual basis. This is obscene.

Clerk Pro Tem: They will not send it up on an individual basis. If you want to cut your coffee out, cut it out, but they will not send it up on an individual basis.

Mr. Taylor: No, they will not send it up, but we could have someone--I do not know whether you have a coffee break or not--but we could go down and get it.

Miss Stephenson: We will take turns going down to get coffee.

Mr. Taylor: That is a pretty expensive delivery charge.

Miss Stephenson: Why not do that? For goodness sake, let us not spend \$100 a day on coffee.

Mr. Ferraro: I agree wholeheartedly with what is being said. Quite frankly, it might be out of our purview but it is absolutely ridiculous if that goes on in other committees as well. Would it be out of our jurisdiction to make a recommendation to the procedural affairs committee or somebody, that they look into that ridiculous situation?

Mr. Chairman: I think we could, and we could also set a good example by doing one of the things that has been suggested.

Miss Stephenson: Let us start off with the procedure that there will be a rota system and, once each committee meeting, one of us will go down and get a tray full of coffee for the members. I will volunteer to be first to go. We will go down to the little hamburger joint and get it there.

Mr. Chairman: Are we going the second step and paying for our own?

Miss Stephenson: I think that is very sensible. It is what, 50 cents?

Mr. Chairman: It is 40 cents. It is still pretty cheap.

Miss Stephenson: Well, we will take orders. We will not even charge a delivery fee if we do this.

Mr. Taylor: I do not know what kind of a precedent you want to set but we should consider the system. This has happened for a number of years and it seems to me like gouging, especially when you get a coffee pot that large, which I am sure is never emptied. There surely must be a more modest approach without setting a precedent for the elimination of coffee in the Legislature. That is the only reason I mention this. If we want to throw some money in the pot, that is fine, I do not mind.

Miss Stephenson: A select committee functions somewhat outside the--

Mr. Chairman: It would be setting an excellent example. The clerk has a comment.

Clerk Pro Tem: You can cut the order. The standard order is for 35 cups. The juices are additional orders, and in some committees there is milk and whatnot. They are additional orders. You can cut it down to maybe 20 cups of coffee, period. It is charged at the same rate, of 40 cents a cup, as what it would be going down for it.

Mr. Chairman: Oh well, so what does that work out to?

Clerk Pro Tem: During the session, when the House is not sitting, it would be an order in the morning and an order in the afternoon.

Mr. Taylor: That is \$16.

Clerk Pro Tem: It would be much more reasonable than with all the juices and 35 cups.

Mr. Foulds: May I suggest we follow that suggestion by the clerk. It makes sense. I also note that we are considering a \$66,000 budget, and we are spending this time on coffee.

This reminds me of every riding association meeting that I have ever attended, because it is something that members can get their teeth into and have control over; look as if they are being fiscally responsible and setting a good example for the government and the province. In my view it is a bit of hyperbole. The clerk's suggestion is excellent and I suggest we accept it.

Mr. Chairman: Perhaps we could have a suggestion from the clerk as to how much we should be budgeting then if we are going to request the order be cut.

Clerk Pro Tem: By cutting it down to approximately \$50 a day from \$100 a day, if we could have \$1,000 for four weeks, that would make sure we were covered.

Mr. Chairman: That is \$1,000 as opposed to \$500.

Miss Stephenson: Would \$500 not do it?

Clerk Pro Tem: Four days a week at \$50 is \$200. We would need at least \$800.

Mr. Taylor: Does that cover out of town?

Clerk Pro Tem: No, that is separate. So \$1,000 would do it and then if there are extra sitting days--

Mr. Chairman: Mr. Foulds moves that the budget be adopted, changing the \$500 to \$1,000 for catering. Any discussion?

All in favour? Opposed?

Motion agreed to.

11:40 a.m.

Mr. Chairman: I would like to open the issue of narrowing our terms of reference. You may recall we were given terms of reference that were somewhat cumbersome and, as I mentioned earlier, we have a report here from Mr. Traficante, indicating that we have touched on all but three matters in our interim report. Bearing in mind that those matters need to be touched on, I do not think we have a serious problem in covering everything that we have been ordered to do by the Legislature. In this brief discussion in the time we have left, we should be concentrating on the issues that we really want to touch on so that some direction can be given to the clerk and researchers as to witnesses, etc. whom we will be looking for in the future.

I was not present during the opening of that debate. I did see some notes that suggested there were about 12 issues raised, including the three that Mr. Posen raised. It may be that 12 are too many. Does anybody have any comments?

Mr. McGuigan: In view of the information we got this morning and the ideas that have been put forward which serve a very useful purpose, obviously the role a province plays in this thing is important. There is the question of whether we do or do not have a veto. Ratification, it seems to me, is the process where we could be useful in suggesting to the government how it is handled. Assuming that we get a bill, adjustment is very important. I am not so sure that we can really do much about the countervail, but we can about those other two. Then we can zero in on about three of the other items. On top of that, of course, is the auto pact--

Mr. Chairman: I thought you were going to say agriculture.

Mr. McGuigan: --and agriculture and lumber, I guess. You can reach out and get a whole lot more, but I think the auto pact covers a lot of the industrial areas and agriculture and lumbering cover the resource industries pretty well. We can easily say mining should be in there too.

Miss Stephenson: Steel should be in there.

Mr. McGuigan: There are many items that we can add but in narrowing this down, we have to be pretty severe in our narrowing.

Miss Stephenson: Mr. McGuigan's suggestion of narrowing it, beginning with the three items which were very clearly delineated for us this morning, will provide us with some direction into the additional areas that we need to explore. We could start off with those three and then look at the specific problems which are facing us right now which seem to be auto pact, lumber and, potentially, steel.

Mr. Morin-Strom: Potentially?

Miss Stephenson: It is not potential; it is there.

Mr. Ferraro: Steel is already there.

Miss Stephenson: Yes; it is not on our list.

Mr. Ferraro: I do not disagree with the impetus that is being suggested by Dr. Stephenson and Mr. McGuigan. I just throw this on the table for the committee to discuss. It would appear to me that while not detracting from those specific areas, there is a lot of merit from the standpoint of continuity and bearing in mind all the work we have put into our interim report, that initially, or at least in the early phases of our discussion, we should look at the recommendations which were unanimous--aside from the fact that there was a dissenting report.

Mr. Morin-Strom: Not all of them.

Mr. Ferraro: Let me rephrase that--were contributed to in large part and were unanimous at least among two parties. To provide continuity in our final report, however brief, we should try to indicate what is relevant at this stage and as a result of new happenings in the trade issue, bilateral talks and so forth, indicate that these points are still relevant or are not

relevant, or are keeping in line with the recommendations of our first report we are now carrying on in this regard.

In other words, all I am saying is that I agree we should go into specific areas, but I would like to see personally some continuity with our first report, bearing in mind all the information and work we have put into it.

Mr. Chairman: Especially when we devoted two pages to talking about what we are going to say in this report.

Mr. Ferraro: Exactly.

Miss Stephenson: Perhaps what we should do is go through the list we developed at the last meeting and eliminate those items we think should be eliminated rather than anything else. The first item that was raised by Gary Posen contains several of the things we have listed as items.

Mr. Cordiano: I know the researcher is very capable organizing all of this work and putting it in a systematic fashion. However, we have to define certain themes. We can look at each sector of industry, or various industries, but I think we have to come out with an outline, a systematic approach. As Mr. Posen suggested, there are three areas he feels we should be addressing. I am not sure how we can organize this, but perhaps it would be more appropriate to organize it in a thematic way, making it more systematic.

You can look at 100 different sectors of various industries right across the economy that could end up in one section of the report. There is no reason we cannot do that. We have had representations on various sectors so we can include that as part of the report, but I think the new thrust of the final report has to be in those three major areas.

Mr. Foulds: I am not sure I understood the thrust of the last speaker's presentation. Are you saying that we should not deal with the specific sectors that have been proposed?

Mr. Cordiano: No, I am saying we should deal with them, that they should be organized in a more thematic approach. There are certain things we have to deal with, for example, adjustment. That is going to be a major issue that we really have not dealt with up until this point. We have touched on it, but we have not dealt with it specifically. A lot of the sector-by-sector or industry-by-industry analysis, we cannot do any more of that. The researcher may bring in new material that we were not able to uncover throughout our hearings, but a lot of that has to be contained in the body of the report.

We can bring into the report some of the hearings we had before us with regard to various reports, presentations, etc., that were made to us. We can include that in the body. I do not think we have time to go through any more so, looking at each industry, that can be included in the body of the report. I am suggesting that we have to do some work on the new areas. Those are the areas we have to concentrate on and the major thrust of the work we do has to be in those areas.

Mr. Foulds: I am still not quite clear. I am reminded of Stanislavsky saying that the words "in general" are the enemy of art. I have always thought the words "in general," and when people start talking about themes, are a good way of avoiding issues and concrete stuff. If you are saying that we should look at the auto pact, the lumber industry and steel and use those as illustrations, then I agree with you, but we need to have

up-to-date, specific recommendations on those sectors as well as the themes you are talking about. I do not think the two are mutually exclusive.

Mr. Cordiano: No, they are not.

Mr. Foulds: I do not want us to lose sight of the specifics of the three or four major things that affect Ontario's economy. That is the only thing I worry about.

11:50 a.m.

Mr. Cordiano: There is adjustment in the lumber industry or the steel industry or whatever industry it might be.

Mr. Foulds: I hope adjustment means expansion.

Mr. Cordiano: Expansion or whatever; I am not going to determine that now. It is something we will discuss. That is exactly what I am talking about as opposed to looking at the lumber industry and saying, "These are the problems and we are going to look at it industry by industry." We are only arguing about how the report is to be organized.

Mr. Foulds: Is it not a little early to determine that?

Mr. Cordiano: We have to determine how the thing will be organized to focus on the three major issues we want to concentrate on.

Mr. Traficante: I would like to comment on some specific industries. In some cases, they quite easily fit within the general framework of themes. Specifically, I am thinking of the auto pact where the primary question is not what is happening in general with the industry, but rather, if there were a treaty, now would the auto pact be affected and now would firms act either to get around the terms of the auto pact or to work within the terms given the changed framework or a bilateral free trade agreement? That would fit rather neatly into that category. That is true with a number of other specific industries as well.

Mr. Cordiano: That is the point I was trying to make.

Mr. Chairman: I sense we are quickly coming to a consensus. We are prepared to look specifically at the three areas Mr. Posen talked about. In talking about sectors to the extent we will be, we are prepared to talk about the matters Mr. McGuigan talked about--the auto pact, agriculture, lumber, mining and steel.

Mr. Cordiano: What about the other areas we discussed?

Mr. Chairman: Miss Stephenson suggested we go through the list you have in front of you and see whether there is anything you want to take off it. That might be a worthwhile exercise.

Miss Stephenson: I do not think we included mining in the list of specifics.

Mr. Chairman: No, and we did not include adjustment.

Miss Stephenson: Not on this list, but in the list you just rhymed

ort for us, you suggested we were including mining with agriculture, steel and lumber. I did not think we had that.

Mr. Chairman: Mr. McGuigan mentioned mining.

Mr. McGuigan: I mentioned it in the context of resources. In a broad-brush way, resources also covers mining.

Mr. Ferraro: This may provoke some members.

Mr. Chairman: Never.

Mr. Ferraro: Notwithstanding the direction of the specific issues we are dealing with, I hope at least to some degree this committee is also going to deal with some of the sectors that are proponents of a free trade deal.

Mr. Chairman: Proponents?

Mr. Ferraro: Proponents of a free trade deal to give an overall--

Mr. Chairman: There are lumber and steel.

Mr. Ferraro: My impression was that lumber said, "No damn way."

Miss Stephenson: No.

Mr. Ferraro: I have done it already.

Mr. Foulds: You are being provocative.

Mr. Ferraro: I am not taking a position.

Mr. Foulds: That is typically Liberal; I understand that.

Mr. Ferraro: Now wait a minute. This is middle-of-the-road Liberal, Mr. Foulds. I expect it to deal with both sides of the issue in equity, at least to a degree.

Mr. Chairman: I understand that message.

Mr. Foulds: Nobody else does.

Miss Stephenson: We probably could use some sectors as illustrations of some of the points we have already made here. I am thinking specifically of the brewing industry as an example of the way in which we might eliminate some of our major barriers, which are interprovincial trade barriers. We might provide some direction to the ministers who are going to meet to discuss this on a regular basis. It does have an impact.

Mr. Ferraro: They quite clearly said they would use an adjustment period of 10 years or something if it came down to that.

Mr. Chairman: Shall we quickly go through this list to see if there is anything we want to take off? Item 1 is the auto pact and I do not think anybody wants that off. Item 2 is the items on the negotiating table, the items Ottawa sees as being on the bargaining table and the items it does not.

Mr. McFadden: Can I briefly go back to item 1? When I was at a

conference on Friday at Durnham College in Oshawa, a representative of General Motors--I cannot remember her official title but she is manager of policy or trade--came up to me and said General Motors specifically wants to meet with this committee. I gather we had communicated previously with the auto companies and they had indicated no particular interest in coming here. I had to leave early to be back here for the Bishop Tutu occasion, but she came over specifically to say she felt not only GM but the other auto makers wanted to meet with the committee. We might be able to get a meeting with all the auto makers. It might be of real interest to the committee. I pass that information on because the auto pact is of interest to them now too.

Mr. Chairman: We approached them away back. Obviously, times have changed.

Miss Stephenson: With the decisions GM has made this year, I am sure--

Mr. Cordiano: Are we going to go through this list or can I throw something in that relates to it?

Mr. Chairman: I was hoping we could take this list. If there is something else you want to raise, that is fine.

Miss Stephenson: I do not think there is anything we can totally remove from this. Several of the items, items 2, 4, 7, 8 and 9, actually meld together to play a part in the first item that Gary Posen mentioned.

Mr. Chairman: Items 9 and 2 are kind of the same thing with the two countries.

Miss Stephenson: Right.

Mr. Chairman: Maybe it is not a useful exercise. I had not looked at this page.

Miss Stephenson: I said maybe we should eliminate some of the things, but when you look at it, you can group several of them into fulfilling one item.

Mr. Cordiano: There are probably important things we have not listed that would fit under the general categories. That is why we have to approach it in this way.

On another topic, are we going to make allowances to have any witnesses appear before us? We have a problem with the timing.

Mr. Chairman: We do and that immediately came into my mind.

Miss Stephenson: Something is going to have to be done.

Mr. McGuigan: You would want the federal Department of Employment and Immigration and Department of Labour people saying what programs we already have and what we need to fill it out.

Mr. McFadden: I suggest we deal with this in a more economical fashion. Do not run ads in the paper inviting anybody who wants to drop by to come up here. If we want to learn about lumber, we should set aside a day and try to get the most knowledgeable people available in the province or the

country. For the auto pact, we will get people from the Big Three and perhaps from a couple of the Japanese companies to sit down with us and discuss it in detail. We do not want to get involved with people who want to make general submissions to us about their ideas.

Mr. Cordiano: At this point, it might be useful to have Donald Macdonald appear before this committee to get his sense of the way things are going at this stage of the game.

Miss Stephenson: Do you mean Thumper or the other Donald?

Mr. Cordiano: There is only one I know of.

Miss Stephenson: Okay; you mean Thumper.

Mr. Foulds: Why? The stuff is public. What he said is public.

Mr. Cordiano: It was issued a year ago. I would like to get his views on it since.

Mr. Foulds: He has not done any work on it since.

Mr. Cordiano: That is not fair. How do you know he has not done any work on it since?

Mr. Ferraro: Now that is being provocative.

Mr. Foulds: He did not do any thinking on it before he wrote it.

Mr. Cordiano: Being nonpartisan here, let us stretch it a little.

Miss Stephenson: Now that is being provocative.

12 noon

Mr. Cordiano: Being a little nonpartisan, it would be useful since he is the author of the most famous report on this subject for our committee to have him appear before us at some point and have his perspective on the way things are developing.

Mr. Chairman: His views were eagerly awaited by this committee last September and pursued with some interest at that time. On the topic of how many witnesses we should have, the committee can make decisions of that nature but generally we leave it to the discretion of the chairman, the clerk and the steering committee, bearing in mind that we are going to be suggesting to a lot of people that we do not want to hear them.

Miss Stephenson: I appreciate Mr. Foulds suggestion regarding adjustment. It is an extremely important item. There are others than those in the Department of Labour and the Department of Employment and Immigration at the federal level who have some useful ideas about this.

As a result of General Agreement on Tariffs and Trade negotiations, there are those who have examined the ways in which adjustment might be effected. They are in a wide range of areas including universities and institutes. We have to look at those who have been involved in that area and spend a day or two on adjustment. We should ask Mr. Traficante to go through

all the material that has been reported on adjustment, particularly after the discussions that have occurred.

Mr. McGuigan: The US has an adjustment policy. They do not publicize it a great deal and they do not have an awful lot of money in it.

Miss Stephenson: They do not practise it very vigorously either. They have an idea. There is a West German adjustment policy that has been extremely effective. I am not sure we want to invite people from West Germany to come and talk to us, but there is information published about it that might be useful to us. There are those who have examined it and would probably be useful delegates.

Mr. Chairman: That is good information. I take it the bells are to vote on the resolutions.

Mr. McFadden: In my absence, I do not know whether there has been any resolution of what we will do on the alternate Thursdays. One thing we might do on alternate Thursdays is to invite someone like Donald Macdonald to come here.

Interjection: Call Mel Hurtig.

Mr. McFadden: We could have Mel Hurtig too.

Miss Stephenson: We decided we could not make that decision today because the standing committee on finance and economic affairs is going to have to meet next week to provide us with its input.

Mr. McFadden: We will be back here next week in another capacity. It could be done in the alternate weeks. When we get into the auto pact and involved matters, I think we need a full day.

Mr. Chairman: For the auto pact we need representatives from offshore companies as well.

The committee adjourned at 12:04 p.m.

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SELECT COMMITTEE ON ECONOMIC AFFAIRS

ONTARIO TRADE REVIEW

THURSDAY, JULY 17, 1986



SELECT COMMITTEE ON ECONOMIC AFFAIRS

CHAIRMAN: Cooke, D. R. (Kitchener L)
Barlow, W. W. (Cambridge PC)
Caplan, E. (Orléans L)
Cordiano, J. (Downsview L)
Ferraro, R. E. (Wellington South L)
Mackenzie, R. W. (Hamilton East NDP)
McFadden, D. J. (Eglinton PC)
McGuigan, J. F. (Kent-Elgin L)
Morin-Strom, K. (Sault Ste. Marie NDP)
Stephenson, B. M. (York Mills PC)
Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Hart, C. E. (York East L) for Mr. McGuigan
Knight, D. S. (Halton-Burlington L) for Ms. Caplan
Mitchell, R. C. (Carleton PC) for Miss Stephenson

Clerk: Arnott, D.

Clerk pro tem: Carrozza, F.

Staff:

Traticante, F., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Agriculture and Food:

Seguin, R., Director, Economics and Policy Co-ordination

Lentz, Dr. G. W., Manager, Policy Development

Caine, R., Policy Adviser

Crozier, T., Policy Adviser

Thomson, D., Policy Adviser

Doidge, B., Instructor, Farm Economics, Ridgetown College of Agricultural
Technology

LEGISLATIVE ASSEMBLY OF ONTARIO
SELECT COMMITTEE ON ECONOMIC AFFAIRS

Thursday, July 17, 1986

The committee met at 1:07 p.m. in committee room 1.

ONTARIO TRADE REVIEW

Mr. Chairman: We can bring the meeting to order. I apologize to the committee because of the fact that this week has been a much shorter week than one would have expected, resulting from the fact, as you can well imagine, that we were not sure this would not be a sitting week in the Legislature and so we were not prepared to firm up witnesses until the last minute. It turned out that at the last minute most of the witnesses were not available or they were unable to have their material ready for this week.

The rest of the time we are going to sit is going to be extremely fruitful. Next week in Washington looks as if it will be extremely valuable. We are going to have at least all of the bases covered that we covered last time, perhaps with the exception of some of the material we received on lobbying that I do not think has changed much.

We are having great co-operation from the United States Consulate in Toronto and it may be the case that we will have a more direct connection with elected officials than we had last time and all of that in just two and half action-packed days.

Thereafter, we will not be sitting the last week of July, but the first week of August is working out to be well filled. I am looking at a document now that Mr. Carrozza is going to photostat and have distributed to you, which shows the week of August 5 as a week in which we will look closely and thoroughly at the auto pact, with presentations from a number of companies and the Canadian Auto Workers. On top of that, we will have presentations from probably the two most pivotal civil servants from the Ministry of Industry, Trade and Technology, Mr. Redgrave and Mr. Latimer.

We are planning to go to Ottawa on Monday, August 11, and Tuesday, August 12. We will have other presentations for the rest of that week, which will fill in those areas we had not obtained a lot of good information on before, and we have the week of August 18 free to write our report. Conceivably, we might be able to start that at the end of the week of August 11.

Without further ado, one of the most serious concerns we have in Ontario in looking at the negotiations is the whole issue of subsidies, countervail, the laws in the United States dealing with countervail, and the subsidy system we have in this province, which has to do with a number of things which under the General Agreement on Tariffs and Trade rules and the countervailing rules in the US might well be attacked very easily; things such as regional subsidies, export subsidies and a myriad of other types of activity, including our social programs and so forth.

It seems there has not been a concerted attack coming from this country on the American subsidies. We asked our researcher, Fernando Traficante, to do some work on this, and that is why we have asked you to meet at this time.

Mr. Traficante informed me this morning that his work, which was his usual excellent material, had been completely eaten by a word processor. Is that right?

Mr. Traficante: Yes.

Mr. Chairman: He spent the morning trying to reassemble it from the draft copy, which will be available to us shortly. I will turn things over to Mr. Traficante now to begin the discussion, and then the draft copy will be distributed to you.

Mr. Traficante: I apologize about that. The penultimate draft had a few changes that had to be made to it, and the machine--it is no longer there. The good copy will be retyped and made available tomorrow. What will be passed out shortly will have some marks in it and that sort of thing, but it will be completely legible.

While we are waiting for it to arrive, I will talk briefly about the other three papers you have in front of you.

Mr. Mackenzie: Before you do, in the first week of August that we are back into this fairly heavy schedule, do we start on Monday or Tuesday?

Mr. Chairman: Monday is a holiday that week, but in the following two weeks I hope to work Mondays.

Mr. Mackenzie: We are starting on Tuesday, August 5.

Mr. Chairman: Yes.

Mr. Mackenzie: I wanted to be sure of that.

Mr. Cordiano: Did you say Tuesday?

Mr. Chairman: Tuesday, August 5, then Monday, August 11, and Monday, August 18.

Mr. Cordiano: As far as I know, it was not scheduled for August 5, but that is fine if you are telling us that.

Mr. Chairman: I do not understand your problem.

Mr. Cordiano: According to the whip's office, it was not scheduled.

Mr. Chairman: Are we not scheduled to sit on August 5? Is there any particular reason?

Mr. Cordiano: No.

Mr. Mackenzie: It was, as far as I was concerned.

Mr. Chairman: That is a Tuesday.

Mr. Cordiano: I did not notice that it was scheduled.

Mr. Mackenzie: Yes, it is.

Mr. Chairman: The schedule of committee meetings I am looking at now says it meets the week of August 4, but August 4 is Civic Holiday.

Mr. Cordiano: That is fine. If we are sitting, we are sitting.

Mr. Traficante: The first thing I would like to talk briefly about is the paper Appeal Procedures to the United States Unfair Trade Rulings. For those who were there, the last time Gary Posen was here the question arose as to what happens if countervail is imposed on softwood lumber, whether there would be any possible legal or other recourse to that decision of the United States International Trade Commission.

This paper talks about the five administrative procedures in US trade law that exist to deal with what the US regards as unfair trading practices. Each talks about what the appeal procedure is once the decision is actually made. I will not go through them all, but I will go through the two largest ones, the antidumping law and the countervailing duty law.

I do not know whether you recall, but as the procedures were explained to us, the antidumping and countervailing duty laws have fairly similar kinds of procedures in the sense that the Department of Commerce and the International Trade Commission conduct what are probably simultaneous investigations of antidumping or countervailing duty as the case might be.

With regard to the antidumping law, the Department of Commerce begins by investigating the domestic prices of the particular product that is being dumping or accused of being dumped and investigating what those prices would be for the same product in the home country and internationally. It tries to draw comparisons among the various prices to arrive at a conclusion as to whether the price in the US is below the price of the same product in the country from which it is exported. In other words, dumping means that, for example, Korea is selling steel in the US at a price cheaper than it is selling steel in Korea. I provide that only as an example. That is the kind of thing it is looking at.

Once the Department of Commerce arrives at a conclusion that there is a price differential, then the International Trade Commission tries to discover whether there is material or sufficient harm to the domestic industry or domestic production. That includes not only whether there is a domestic industry that is being hurt, but also whether there is the potential to develop a domestic industry that cannot happen because of the dumping that is taking place.

Mr. Taylor: Is that theoretical or hypothetical or is it an industry that is currently contemplated that is being frustrated because of the pricing?

Mr. Traficante: I believe it would be the latter; that is, an industry exists in some form that is not able to gear up to develop economies of scale, for example, because it is being underpriced by the imports.

Mr. Mackenzie: Does it have to be verified? If it is not, it leaves it totally wide open.

Mr. Traficante: That is right.

Mr. Taylor: Does it take a combination of both factors?

1:20 p.m.

Mr. Traficante: That is right. Both the Department of Commerce and the International Trade Commission have to rule positively that dumping is

taking place and that there is positive harm as a result of that dumping. Once that ruling is actually completed, there is a procedure by which the ruling is implemented. That implementation is legislated. That means there is no discretion as to whether the ruling of the Department of Commerce and the International Trade Commission should or should not be put in place. It is automatically put in place. Once both bodies make a decision that dumping is occurring, the Department of Commerce informs the United States Customs Service that the dumping is taking place and the customs service imposes the antidumping duties and I believe collects some sort of a bond from the exporter.

Mr. McFadden: May I ask a question with regard to the Canadian practice? The Canadian practice is similar in the sense of looking at whether an importer is giving a price to a Canadian buyer that is below what it sells at in its home market. I know it is complicated. It does not necessarily have to be an average price because, as happens in a lot of places, there are price differentials within the domestic market, often between different categories of customer, but I mean looking at the whole picture.

What I am trying to recall is--and I do not know if you have this--whether our decision on antidumping looks at whether material injury has been suffered or do we just look at whether the price would indicate this dumping is taking place? I am not sure of this, but my recollection is that we do not look at material damage. It does not even matter here if material injury has been suffered or not.

Mr. Traficante: I really do not know. I believe the difference is that our procedure is an administrative procedure. It is not a public inquiry, but I am not positive about that.

Mr. McFadden: No. There is a hearing before the tribunal, and it is a judicial or quasi-judicial process. As a Canadian though, I do not believe you have to show what is material damage, but I am not sure of that. I am just wondering if we might find out exactly what our process is because it will be interesting to see the comparisons between the two countries and how we deal with it. Up until you get to the point where we talk material damage, I know the processes are similar because I have had some first-hand experience with that. I am just not sure, though, when you get to the hearing stage whether we address anything to do with material damage in this country.

Mr. Taylor: What is the appeal procedure?

Mr. Traficante: Once the actual decision is made that dumping is taking place, two things occur in terms of appeal or review. There is provision for an annual administrative review of any outstanding orders and suspension agreements.

Mr. Taylor: Is that automatic?

Mr. Traficante: No, it is solely on the request of one of the parties of the initial investigation. Before the whole procedure can take place and before the whole investigation takes place, someone has to lodge a complaint. That complaint can come either from the Department of Commerce or from a number of other parties, depending upon what is in the legislation. With regard to the antidumping legislation, I believe it includes representatives and workers of the industries, individual companies within an industry concerned, as well as the Department of Commerce and combinations thereof.

Mr. Mitchell: I thought it was wide open down there, that literally anybody could lodge a complaint.

Mr. Trafficante: As long as they are somehow representative of that industry or come from that industry. For example, you might have a union local in a particular town that represents a couple of hundred people, that would be a party or could initiate the investigation.

Mr. Taylor: Sorry?

Mr. Trafficante: A union local.

Mr. Taylor: That works for that company?

Mr. Trafficante: That works for a company that is--

Mr. Taylor: But not a member of the public?

Mr. Trafficante: No, not a member of the general public.

Mr. Taylor: Not a municipality or some other emanation, in that case, of the state?

Mr. Trafficante: I do not believe a municipality would have that. However, in some cases I think members of the finance committee of the Senate might or members of the trade subcommittee of the House ways and means committee.

Mr. Taylor: At least that is for an annual review?

Mr. Trafficante: No. That is simply for initially beginning the process and it is also for the annual review.

Mr. Taylor: That annual review is not automatic, but that is what you call an appeal procedure as well, is it?

Mr. Trafficante: That is what I am considering. I talk about both administrative and judicial reviews. That is one of the administrative reviews that is possible.

In the case of the antidumping legislation, that consists of the Department of Commerce simply undertaking the review by looking again at the international prices upon which the initial decision was based. If those prices are different now or if the price differential between the imported product in the United States and the home market of that product has been eliminated, it is possible for that antidumping ruling to be eliminated.

Mr. Taylor: The review could bring about a reversal of the decision.

Mr. Trafficante: That is right, but that is simply administrative in the sense that it finds that circumstances have changed sufficiently that--

Mr. Taylor: That is repentance.

Mr. Trafficante: Precisely. The actual final determination of the Department of Commerce and the International Trade Commission can be appealed. In other words, judicially it is possible to go to the Court of International

Trade, which I believe is located in New York City, and what it does is look at things. I quote, "The court reviews whether the final determination is supported by 'substantial evidence on the record or otherwise not in accordance with the law'." I am not a lawyer so I am not exactly familiar with it, but it simply looks at the inquiry to see whether evidence was presented for the conclusion that the International Trade Commission reached. It does not weigh the evidence itself. It does not determine the extent to which material injury has taken place, for example, with regard to the International Trade Commission.

Mr. Taylor: It does not review the facts. It deals with the facts presented at the other tribunal and assesses the outcome of those facts or determines under its laws what the result should be.

Mr. Traficante: Precisely. It also reviews whether the decision in the process was in accordance with both the trade law and other laws.

Mr. Taylor: Is that the end or is there another review after that?

Mr. Traficante: If the Court of International Trade rules against or for, that ruling can be appealed to the Court of Appeal for the federal court. From there it can go all the way up to the Supreme Court.

Mr. Taylor: Those are appeals in matters of law.

Mr. Traficante: That is right.

Mr. Taylor: There is no provision for a trial de novo, so to speak.

Mr. Chairman: It does not look like it.

Mr. Traficante: There is not.

Mr. Taylor: You have to get your facts in pretty thoroughly on the ground floor when you start the procedure.

Mr. Traficante: Yes. The situation with the countervailing duty law is exactly the same as the antidumping law, the difference being simply the question that is at issue. Again, the procedure is begun by an interested party--a company, a group of companies, a group of workers, representatives of the government or the Department of Commerce itself.

Just to mention it again, countervailing duty is a duty applied to a good being imported when it is discovered that the good is being subsidized by another country. It is a two-pronged test. The Department of Commerce investigates whether there is a subsidy in place. It examines the structure of pricing, government expenditures, whatever they might be, in the country exporting the product.

In turn, the International Trade Commission does two things. It investigates whether material injury is taking place and whether the material injury that is taking place is a result of the subsidy.

Mr. Mackenzie: There is no limitation on the interpretation of subsidy.

1:30 p.m.

Mr. Traficante: There was before. I believe there was in 1984, with the most recent trade law. That interpretation was amended. That is important because it was after the last softwood lumber case.

The interpretation that exists now also includes subsidies that are to the inputs of the final product. In other words, I believe before subsidies were simply on the final product. For example, in so far as they can be shown to be subsidies, the subsidies on the logs which are cut in British Columbia, if the royalty system is found to be a subsidy system, that in turn would work out to be countervailable. I believe before it was not.

Mr. Mackenzie: That is my interpretation; that it is pretty wide open now.

Mr. Traficante: Yes. Again, I think there is a fair bit of flexibility for the administrative bodies to deal with. From there, once the difference between the antidumping and countervail in the type of investigation is understood, the procedure continues in much the same fashion. Both the Department of Commerce and the International Trade Commission conduct their investigations. They determine whether the product is countervailable. Once the final determination is made that the product is countervailable, again there is no discretion. The Department of Commerce has to order by law--I believe within seven days--that the customs service begin collecting the countervailing duty. As part of that, there is some sort of a deposit that the exporter has to provide.

Mr. Taylor: How do they determine the injury? Could it be a potential injury in this case, as well as actual injury?

Mr. Traficante: Yes.

Mr. Taylor: Even though there is plenty of market share and no present injury, it would be countervailable because a new competitor coming into the market would be prejudiced by reason of the imports that were being subsidized in some way. Is that right?

Mr. Traficante: That is right. As in the previous case, there are also annual reviews of the outstanding countervailing duty orders and suspension agreements. That has to be on request, as in the other case, and again on request of an interested body that was involved in the initial proceedings, but that could be either side, the defendant as opposed to the plaintiff.

Once the final determination has been made, that can also be subject to judicial review in exactly the same fashion as the antidumping legislation; that is, the judicial review is of the substantial evidence on the record or otherwise, in accordance with law, again by the Court of International Trade. That decision can also be appealed to the federal court.

Mr. Taylor: Would you clarify for me once more the division of duties between the Department of Commerce and the International Trade Commission in terms of their respective roles and responsibilities in pursuing a complaint?

Mr. Traficante: In some sense, you would have to call the primary role of the Department of Commerce a statistical role; that is, its job is to gather up the necessary statistical information, which can be used to arrive

at a judgement in the case of countervailing duty, as to whether a subsidy is being provided by the government of whatever country is at issue in this case, or, with regard to antidumping, to look at the pricing structures both internationally and domestically in the United States and in the country of origin. It arrives at a conclusion based upon an analysis of that data as to whether dumping is occurring or, in the latter case of countervailing duties--

Mr. Taylor: Does the Department of Commerce arrive at a conclusion independently?

Mr. Trafficante: That is right.

Mr. Taylor: Based simply on its statistical data?

Mr. Trafficante: Yes, that is right.

Mr. Taylor: Okay. Now what is the other one?

Mr. Trafficante: The other half is the International Trade Commission. That conducts its own investigation of the information as to whether injury is occurring. They look at what is occurring within the domestic industry to discover whether the imports, be they dumping imports or countervailable duty imports, are causing an injury in the domestic marketplace to the domestic industry, to the producers primarily; that is, they look at whether the injury is occurring and whether the cause of the injury is either the dumping or the subsidy, as the case may be.

In cases of both types of reviews, they look at two questions. That is both an analytical inquiry in the sense that they go and gather statistical information, etc., but in addition, it is also a public inquiry in that people can present evidence. It is quasi-judicial in its format, with advocates presenting information and with the International Trade Commission's own lawyer asking questions as the information is being presented.

Mr. Taylor: They are determining, first, whether the dumping or the subsidy is injurious; second, if injurious, to what degree it is injurious and, third, some causal reason.

Mr. Trafficante: That is right.

Mr. Taylor: Is there any need to go into that causal area? I say that because you have mentioned already that it takes a combination of the two aspects. First, that there is dumping and, second, that it is injurious. There is a subsidy and it is injurious.

Mr. Trafficante: Yes.

Mr. Taylor: In looking at the analysis of the injurious aspect, you have a determination of whether there is injurious affection, if I can put it that way--I am robbing a term from the field of expropriation--and, if so, to what extent the injury is suffered and whether there is a cause of that injury. There may be some scope in that area of cause. In other words, there may be a remedy that the injured party could take on its own part that would solve the problem because of some, let us say, inefficiency in its own operation.

Mr. Traficante: I do not believe that is the case with regard to antidumping and countervail procedures. There is another connection which was missing from what you were saying. It is not so much that there is a cause of the injury but rather the subsidy itself or the dumping itself is the cause. I guess the example again would be the previous softwood lumber case where it was found that subsidies existed and it was also found that the domestic lumber industry in the US was suffering difficulties, having material injury, but it was not found that the subsidies were the cause of material injury.

Mr. Taylor: That is the causal connection that is required in order to have an affirmative ruling.

Mr. Traficante: That is right.

Mr. Taylor: That is the point I was concerned with.

Mr. Traficante: If I recall that case, the subsidies were found to be without effect or of a minor nature.

Mr. Mitchell: As a novice to all this sort of discussion, not being one who is very experienced in the area of trade and finance, what is the difference in the penalties? I was reading the information you provided. In both antidumping and countervailing, it says "additional duties may be imposed." What are the penalties? Are they basically the same? As I read it, the only difference between the two appears to be the General Agreement on Tariffs and Trade. GATT is referred to in the countervailing. It is not, as I read it, on the antidumping side.

1:40 p.m.

Mr. Traficante: No. Effectively the duties are identical. The duties imposed are imposed at a level that will alleviate the injury. In other words, in the case of antidumping, if it is found that products are being dumped at 10 per cent below market--for example, they are being sold in the US 10 per cent below the same product on the market of the producer--then the antidumping duty imposed would be the 10 per cent difference. The same thing exists with regard to countervailing duties. If it is found that subsidies exist and are a cause of material injury, the countervailing duty imposed would be the same as the subsidies, an equivalent amount to the subsidies.

Mr. Mitchell: I see what you are saying.

Mr. Traficante: The reference to GATT is that the procedure for countervailing duties was not intended to be in GATT. It was put into GATT, in its current terms, largely at the insistence of the US. In other words, the procedure as it exists in GATT is a result of the insistence of the US that a procedure similar to what it had in place be used.

Mr. Taylor: Have the gyrations and manipulations of currency been considered as a factor?

Mr. Traficante: Yes, or at least they should be.

Mr. Taylor: Have they been?

Mr. Traficante: I do not know in terms of the number of existing cases. I believe that they are. It is, certainly with regard to the United States International Trade Commission, a quasi-judicial proceeding. The

country or industry accused of dumping or providing a subsidy would have an opportunity to argue that the difference is a result of currency fluctuations.

Mr. Taylor: Everything else might become academic after a while.

Mr. Traficante: That is right.

Mr. Taylor: Even though you resolve all these problems, you can get into currency manipulation and get back to where you started. Then you have the foreign country exercising its sovereignty and protection of its own industry. I was wondering about that aspect, but I do not want to delay these discussions.

Mr. Chairman: When you say it should be, you mean as you understand the law?

Mr. Traficante: As I understand the procedure.

Mr. Chairman: In other words, it could be used that way if we conclude negotiations and then someone decides we are unfairly manipulating our own currency by buying and selling Treasury bills.

Mr. McFadden: Has that ever been used?

Mr. Traficante: Not to our knowledge.

Mr. McFadden: There have never been complaints that you are aware of? I gather that you are saying on the basis of currency manipulation by a country somewhere in the world, but I mean by subsidy.

Mr. Traficante: It is very possible. They have a large number of cases they go through each year. I do not know whether that has been done or argued.

With regard to Canada, I am sure they argued that part of the difference with lumber was a result of the decline in the Canadian currency and that was the reason there was so much excess in the industry. I do not know whether anyone has argued that the advantage in the American market was a result of currency manipulation.

Mr. McFadden: One way is a deliberate low interest rate policy to depress your currency. The other one would be buying and selling of currency on the money markets somewhere. The latter one would be a hard one ever to pin down. With respect to the former, you might be able to establish a case; with the latter, you would not.

Mr. Traficante: In the case of the former, you would have to show in some sense that it was being done for the purposes of trade, to reduce the prices. That is effectively what beggar-your-neighbour policies mean and that is effectively what was done in the 1930s on a regular basis.

Mr. Chairman: Has anyone else any questions? I do not want to intervene if someone else does.

Were you able to determine the extent to which this is a constitutional question? As I understand it, these laws are considered to be quite separate from trade laws.

Mr. Traficante: No. These are sections within the trade law.

Mr. Chairman: I understand there is a recent body of opinion to the effect that a trade arrangement could be negotiated but it would have to be sanctioned by Congress. They would want to look specifically at any amendments to their countervail or antidumping laws separately on a clause-by-clause basis, as if it were their own thing. In other words, it is not really on the fast track. Do you know anything about that?

Mr. Traficante: No, I do not.

Mr. Chairman: I note they did amend their law as a result of the Tokyo round of GATT. That surely is a good precedent to their doing so again.

Mr. Traficante: That is right. In conclusion, there are two other items I will not talk about right now. They are briefer and not as important, except with regard to the shakes and shingles. I spoke with people down at the International Trade Commission, including the assistant general counsel in charge of countervail. She informed me that 80 or 90 per cent of the final determinations of the Department of Commerce and the International Trade Commission are appealed judicially.

Mr. Taylor: What percentage?

Mr. Traficante: She said 80 or 90 per cent.

Mr. McFadden: When dealing with issues of law, that is all you can appeal.

Mr. Traficante: She also informed me that very few are successful. She did not have a number. If anything, she thought it would be fewer than five per cent of the appeals.

Mr. McFadden: That is the batting average of most appeals. It is not a scandalous figure. It would be true to say that the vast majority of legal appeals are not allowed.

Mr. Chairman: I am surprised there are so many appeals when there is such a narrow ground for them.

Mr. Mackenzie: The lawyers are obtaining a lot of business.

Mr. McFadden: It sounds like it. Obviously, that is an area of law we are missing up here. We can start this whole process up here.

Mr. Taylor: Could you refresh my memory on the fast track? How fast is it or how slow might it become depending on the political weather?

Mr. Traficante: Very briefly, the fast track is a procedure wherein Congress is initially a party to the process of negotiation. In other words, before negotiations can commence, the finance committee of the Senate and--I believe but I am not positive--the trade subcommittee of the House ways and means committee conduct an investigation of whether negotiations should take place. In other words, they have the right to not disapprove of the negotiations.

Mr. Taylor: They have the right to not disapprove?

Mr. Traficante: Yes, that is the way the legislation is worded. In other words, if they take no action at all, the negotiations commence. The negotiations stop only if they do take action and decide to go against.

Mr. Taylor: They have the right to disapprove as well as the right to not disapprove.

Mr. Traficante: That is right.

Mr. Taylor: Assuming they do nothing, or approve, is there a time frame?

Mr. Traficante: Not necessarily. The time frame is something else. The actual negotiations can begin at that point. The process of not disapproving of Congress means that they are to be informed. The administration is effectively required to inform Congress of its negotiations as they proceed. There is a requirement that discussions take place with Congress and with industry representatives as negotiations take place.

1:50 p.m.

With regard to the time frame, that is rather a question of when the trade authority that has been given to the President expires. I believe it expires at the beginning of 1988. The President has the right to conduct negotiations or regulate trade matters, negotiate, dispute, speak with other countries and so on, only as long as the right has been given to him by Congress, and that right expires in 1988. At that point Congress has to renew it.

That puts a time frame on the current negotiations, since these negotiations have begun. If they are not completed by the beginning of 1988, I believe at that point Congress would, in the process of providing for the renewing of the President's mandate to negotiate, review the state of negotiations as they exist.

Mr. McFadden: Did you prepare a paper for us on the Trade Act or did we get an oral submission on that material, what you are reviewing with us right now; the review of the act as it came in?

Mr. Traficante: I do not believe I have actually prepared material on the act itself. What was handed out was something that had been provided by Jean Saint-Jacques at the Canadian Embassy in Washington. That was a compendium of the Trade Act itself.

Mr. McFadden: I do not remember this at all. Could we get a copy for Monday? It might be useful to have it. I do not remember getting a compendium.

Mr. Chairman: I remember Bill Merkin explaining it very well to us.

Mr. McFadden: Do you think we could get it?

Mr. Chairman: We did get a lot of material.

Mr. Traficante: I have a copy. I thought everyone had received a copy. Perhaps I was mistaken.

Mr. Chairman: We now have this document in front of us that you prepared on California, Michigan, New York and Tennessee. It may well be that

there is some material in there that will be very valuable to us, as we talk to Americans, to give them examples of the sort of thing they will be putting in jeopardy if they seek to have our subsidies cut. Maybe you could review some of the highlights of that.

Mr. Traficante: Okay. As I said, the machine ate it. Before we begin, I will indicate what sections there are, since that should have been done.

There is the executive summary and introduction, followed by the United States federal government programs on page 4; that is a general discussion of what programs exist for trade subsidies in the US. The ones that are discussed here are general. I simply picked and chose some which seemed appropriate rather than trying to cover them all. On page 5 there is domestic international sales corporations, some special programs for business; on page 6 the export-import banks, and on page 7 some general tax initiatives and research and development incentives as well. That is as far as I go with regard to the federal programs.

State programs begin on page 8. That section is simply a general description and discussion of what states are doing with regard to providing incentives, subsidies or benefits to business. Programs to attract foreign investment start on page 9 and industrial revenue bonds on page 11.

I will talk about each item briefly.

State equity and venture capital corporations are found on page 14, as are export development programs. On page 16, enterprise zones are found. Page 16 is an example of what I meant by things being patched. On page 16, the actual discussion of individual states begins.

I begin with California and talk about the industrial revenue bonds, loans and loan guarantees, customized industrial training and some special taxation measures. On page 18, I start with Michigan, with basically the same categories. Page 22 is New York state and on page 26 is Tennessee. I apologize for the table of contents.

Mr. Barlow: None of these is a form of subsidy, is that correct? Is that what they are suggesting?

Mr. Traficante: My suggestion is that they are all forms of subsidy.

Mr. Chairman: They do not think they are.

Mr. Traficante: They are in different forms from ours, which I think is the primary conclusion you have to bear in mind. Once I talk about the US states, again I will provide you with a brief overview and talk about Canadian programs and Ontario programs. Ontario programs begin on page 36.

The Canadian and Ontario programs are not in any way to be regarded as comprehensive. I did not talk about them all, because there is a very large number of them. I simply provided them as a way of giving a flavour on how Ontario and the federal government can do things. Finally, I provided a comparison of the programs.

Mr. Chairman: I read in Saturday's Toronto Star an article on how mean and underhanded Michigan is in dealing with the auto parts area. Did you get into that at all?

Mr. Traficante: No, I did not talk about that. It is an interesting question.

Mr. Chairman: I commend that to the committee. It was on the business page.

Mr. McFadden: Mean in what sense?

Mr. Chairman: Spreading false rumours about Ontario generally.

Mr. McFadden: Was this the state government?

Mr. Chairman: The state government of Michigan, in looking to Japanese auto parts companies. It is an interesting story. I do not know how accurate it is.

Before we get into specifics, maybe we should entertain Mr. Ferraro's question. Then we can hear from the Ministry of Agriculture and Food and perhaps we can talk about specifics later in the afternoon.

Mr. Ferraro: I am not sure it will entertain you but I will ask it anyway. You mentioned Tennessee subsidies. Did Tennessee do anything out of the ordinary, for example, to lure the Saturn plant? Did you look at comparisons between what the Ontario government did or what the federal government did for Toyota and Hyundai respectively?

Mr. Traficante: I did not look at what the Canadian government did with specific instances such as the Toyota plant. I did provide as much information as I could gather on the Tennessee situation. I did acquire some information and I do a little bit of calculation as to the possible subsidy values incorporated in the Nissan plant, based upon information from officials in Tennessee. It is a pure estimate. The range is \$2,500 to \$6,000.

Mr. Ferraro: Maybe I am wrong but I got the impression from reading somewhere that there were some extra special incentives involved in the deal for the new GM Saturn plant, but I am not sure.

Mr. Traficante: I was not able to find out about that but I can talk about specific examples when we come back to it.

Mr. Chairman: Any other questions of a general nature on countervail? Again, I reiterate, it is shaping up to be a very serious concern that we should all have and we should make certain we get some questions answered when we go to Washington. It does not look to me as if we are going to get far with negotiations unless we do.

During the next presentation--I apologize in advance--I will have to absent myself briefly. Mr. Ferraro will be chairing the meeting. That should be great. I have to attend at the Board of Internal Economy on the supplementary budget of the finance committee, which we are all looking forward to.

Could the people with the Ministry of Agriculture and Food come forward? I understand we have with us today Bob Seguin, who is the director of economics and policy co-ordination branch; Gary Lentz, manager of policy development; Richard Caine, Tom Crozier and Dave Thomson, who are all policy advisers.

Gentlemen, I will turn this over to you. We are looking forward very much to your presentation today. We are a much wiser committee now than when you were last with us. I am sure our questions will be incisive. Apparently, I am going to be picked up when it is time for me to go.

2 p.m.

MINISTRY OF AGRICULTURE AND FOOD

Mr. Seguin: I will ask my colleague Mr. Caine to hand out some hard copy of our visual presentation as soon as it gets set up. You have given us a very complex topic: the United States farm bill and its impact on the trade negotiations and Ontario agriculture. Of course, it is very timely. I apologize for the size of my group, but since the topic is very complex, I brought in people who have actually worked on the issues from many aspects.

At the far end of the table is Dr. Gary Lentz. Beside him is Tom Crozier. I would also like to introduce Brian Doidge, who is from Ridgetown College of Agricultural Technology. He is a lecturer on farm economics and he may be able to give a more hands-on feel to what the farm bill means to Ontario farmers. Dave Thomson will be handling the overheads. Richard Caine has been doing a lot of legwork on the bilateral and multilateral trade negotiations for the ministry. Without more ado, I will turn it over to Gary to give you an overview and an introduction to this whole issue.

Mr. Taylor: Did Dr. Lentz prepare the summary of the bill that we were afforded earlier?

Mr. Seguin: Yes. We presented that to give you a background on what the terms mean, because you can get caught up in what this word means versus that one.

Mr. Taylor: It seemed very interesting. It is a summary. I must confess it is so distilled in some places that I find it difficult to digest. It was very helpful and I thank you for that.

Dr. Lentz: I might comment on that. As it stands, the farm bill is something like a 13-pound document. You have to take some liberties in the language to boil down a legal document that is this thick to four or five pages that cover the key points, so you do lose something.

Mr. Taylor: Let the record show the witness indicated six or seven inches of thickness.

Mr. Chairman: It is interesting that we are now measuring legislation in weight and size.

Mr. Taylor: We review it by the pound.

Dr. Lentz: I will give you a little bit of the legislative history or background that sets the stage for the present situation.

Traditionally, United States agricultural policy has had three major goals: growth, stability and preservation of the family farm. The current legislation, the 1985 farm bill, may mark a departure from that traditional thinking since in the growth area we have a contraction of some of the resources and surpluses that have built up in agriculture. We have things such as the acreage reserve, whereby we have land actually going out of production.

Stability has certainly continued as an important goal. Preservation of the family farm is not mentioned in the current act.

I will give you a very brief history of agricultural legislation that sets the stage for where we are at present.

The agricultural adjustment act of 1933 was one of the first major pieces of legislation that created price supports, acreage reductions and set parity as a goal. One of the situations then was that the United States was in a depression, as were other countries. We were faced with low prices and the government was trying to find a means to stimulate and support agriculture. Some of those things are happening today as well.

A second piece of legislation that is important is the agricultural adjustment act of 1938. That act set up nonrecourse loans, which was a process by which loans could be made to farmers and they were allowed to either repay the loans for cash or default on them and give the commodity back to the government.

That act retained parity pricing as well.

Mr. McFadden: Excuse me. I wonder whether you could explain parity to me.

Dr. Lentz: Parity pricing is a concept that has been around for a long time. The simplest way to explain it is that parity pricing means pricing of commodities such that they have the same purchasing power at the present time as they had during a particular golden age of agriculture, which in the United States was 1910 to 1914. In other words, if a bushel of wheat bought a pair of shoes in that period, a bushel of wheat should buy a pair of shoes today if there were 100 per cent parity pricing.

Mr. Mackenzie: It has nothing to do with any other country's pricing. It is strictly the purchasing power.

Dr. Lentz: That is right.

Mr. Taylor: Is that domestic or imported shoes?

Dr. Lentz: Let us say it is an average.

That the Agricultural Act of 1949 went along with the 1938 act is important because it formed fundamental legislation that has no expiry dates. If current legislation expires and is not renewed, the US will revert to this old legislation with the parity pricing, which means that some commodities such as milk would jump to \$16, \$17 or \$18 a hundredweight. At present it is about \$11.

The Agricultural and Consumer Production Act of 1973 is the next important piece of legislation that created some of the problems we are in today. One of the things it did was to set target prices and efficiency payments such that it encouraged an expansion of production to meet world demand.

The 1977 act raised those income supports and set up a farmer-owned reserve, which was a system whereby farmers could store grain on their farms and receive payments for it.

The 1981 Agriculture and Food Act increased target prices still further and set them for a four-year period. This had the resulting effect of encouraging more production.

Mr. Chairman: I leave it to you, Dr. Lentz. Do you want us to interrupt if we wish to ask questions or do you prefer that we hold our questions until later?

Dr. Lentz: Perhaps for points of clarification or short questions.

Mr. Chairman: Just for points of clarification then and not for rambling, Mr. Taylor.

Mr. Taylor: I want the record to show that I prompted the chairman to ask that question and it was not pointed at me in terms of the rambling nature of my remarks.

Mr. Barlow: You were asking on behalf of all of us, were you not?

Dr. Lentz: The environment in which we operate has created a bit of divergence from reality. We have a legislative setting that has tried to deal with surpluses and then we have the reality of the world. Let us look a little at these surpluses, how we got into this mess and where we really are.

First, one of the reasons there are surpluses is the escalating target prices I referred to. Meat consumption has shifted from red meats to poultry. This chart shows that red meat consumption per capita has actually been declining. Poultry consumption has been increasing. Less grain has been fed to poultry relative to livestock. That has created part of the surplus.

Second, there has been a tremendous increase in productivity in the United States, as well as in Canada and Ontario. The yield on corn has increased tremendously from a low of about 40 bushels per acre in the 1950s to last year's high of 118 bushels per acre in the United States as an average. As well, the dropoff for the lower exports has created more surpluses in the United States. This chart shows that the peak for agricultural exports was reached in about 1980 or 1981 and has dropped off since that time. The United States previously had a trade surplus in agricultural products and in 1986 this has turned into a deficit.

With that, I would like to introduce Brian Doidge who will give us a few more details on the US farm bill.

2:10 p.m.

Mr. McFadden: With regard to the last figure you mentioned in the shift in the United States from a surplus to a deficit in agricultural products, I am trying to visualize what that is coming from. What are the Americans importing in such volume as to put themselves in a deficit position? Has it been a major increase or are they in a deficit position because their exports dropped off because of price? What is the problem here?

Dr. Lentz: First of all, the whole sphere of world trade has been decreasing. At the same time, the United States' share of that has been decreasing. Those two factors have made a smaller part of a smaller pie for the United States. As well, the value of the dollar has caused US products to be less attractive abroad than previously.

Mr. Taylor: Total world trade then is decreasing because of these reasons?

Dr. Lentz: Yes, agricultural trade has been.

Mr. Taylor: We are just talking about agricultural trade.

Dr. Lentz: Agricultural trade.

Mr. Taylor: Throughout the world it has decreased.

Dr. Lentz: Yes.

Mr. McFadden: What is the reason for that?

Dr. Lentz: Increasing production in many of the other countries. Countries, such as members of the European Community and some of the developing countries that have previously been importers of many products have become exporters. The technology I mentioned has happened in other countries as well as here. Production has increased--

Mr. Thomson: If I may add, Mr. Chairman, in some respects that view is a short-term phenomenon in view of general economic conditions and the protection. As Dr. Thomson said out in Saskatoon, the Americans are anticipating a renewed resurgence in agricultural exports. It is a cyclical thing.

Mr. Taylor: Or a distribution problem.

Mr. McFadden: In so far as Canada's exports to the United States are concerned, what agricultural products would we be exporting in significant volume? In other words, what is that we would be exporting and what is it we are importing, are we in the balance or are we not and are we indexing?

Dr. Lentz: Could I turn to Tom or Richard who has done a little bit more on the trade area to speak specifically to some of those commodities?

Mr. McFadden: Yes.

Mr. Caine: At the Canadian level, Canada runs a deficit as a net importer of US agricultural products. That is to do with this great influx of fruit and vegetables. Canada and Ontario are exporters of a large variety of products. The biggest Canadian exports are the meats, pork and beef. Ontario pork is a big factor, moving out in the \$50-million range. As I said, it is an important agricultural product. The biggest alcoholic and beverage product is whisky and beer moving out of Ontario into the US.

Mr. Ferraro: Is that increase in imports of agricultural products between Ontario and the United States growing?

Mr. Caine: What has been happening is that the Canadian deficit in food products with the United States has been declining over the last five years.

Mr. Ferraro: What about Ontario? Do you know?

Mr. McFadden: Has it been declining?

Mr. Caine: It has been declining. Ontario still runs a very large deficit with the United States.

Mr. Ferraro: Is it increasing or declining as well?

Mr. Caine: I think it has been declining because of the enormous growth rate in agricultural exports from Ontario to the United States. In the last four years, the exports to the United States have been way ahead of other markets. In 1983, in that sort of period, it was around about 20 per cent. It is now declining steeply. There has been a slowdown in the exports with the United States, but we are still running a deficit because of our fruit and vegetable imports coming in.

Mr. Ferraro: How much is our deficit?

Mr. Caine: I guess you have caught us without any trade statistics.

Mr. Thomson: About \$1 billion in Ontario.

Mr. Caine: That is the total, but--

Mr. McFadden: Our deficit is \$1 billion?

Mr. Thomson: About \$1 billion.

Mr. Caine: Total, and with the United States it is relatively the same because two thirds of our exports are to the United States as are two thirds of our imports. In 1985, our total exports were \$3 billion and our imports were \$2 billion. Exports to the United States are two thirds of \$2 billion and imports are two thirds of \$3 billion. My mental arithmetic is not good enough to give you the numbers, but that is the general picture.

Mr. Doidge: I will take off with the 1985 Food Security Act and I will refer to it as the farm bill as we go through it. It was passed by President Reagan in December 1985. It took about a year to put the provisions together. I know you fellows do not make mistakes but they had a number of small errors in the program. It has gone through a couple of revisions, and in January 1986 the Secretary of Agriculture announced the provisions for this year.

Mr. Taylor: We sure made a mistake.

Mr. Doidge: It marks a major watershed in the direction of US agricultural policy, as Dr. Lentz has indicated. In particular, the last three, 1973, 1977 and 1981, can be viewed as stimulating growth, trying to increase production with an emphasis on family farming.

The 1985 version of the farm bill is almost completely the opposite and it attempts to deal with the realities of agriculture in the US in the 1980s. To summarize them, you are looking at overproduction, surplus productive capacity, mounting commodity surpluses, declining exports, mounting agricultural program costs and declining net farm incomes. The farm bill sets US agricultural policy through 1990. It covers most agricultural commodities except horticultural crops and livestock, although dairying is included.

Mr. Ferraro: When they set agricultural policy through 1990, how real is that? The business sector today is going on the basis of a year's

prognosis. How logical is it to set a policy up to the 1990s in today's economic climate?

Mr. Doidge: All the farm bills have set a framework that is very broad. Then they make minor revisions on a year-to-year basis.

Mr. Ferraro: I notice that the previous three listed are essentially for four years. I am wondering about the volatile aspect of today's economy. With that type of adjustment, how much flexibility do they have?

Mr. Seguin: Let me address that further. When the Republican administration first entered the bill, it asked for a 10-year bill. The word in Washington now is that they might redo the entire thing in 1987. We will address this later when we come to the cost of the programs, which Mr. Doidge will be talking about. The problem you have addressed quite clearly is the volatility of the farm economy, as of the general economy. Policy cannot stay the same. They tried to build flexibility into this bill but it seems it has caught up to them already. This is just the first full year of the bill.

Mr. Doidge: Rather than go through the nuts and bolts of the program, I want to look at the main objectives of the 1985 version and then I will go through some of the provisions by objective and some of the results in six months worth of policy.

You can summarize the objectives for the bill in these six: (1) increase agricultural exports and regain market share, and Dr. Lentz talked about that; (2) reduce surpluses and productive capacity of US agriculture; (3) reduce the role of government in price determination, and the key words are "price determination"; (4) reduce government program costs; (5) free up access to world markets and combat subsidies, in particular, with the European Community; and (6) there is an effort to isolate US producers from the effects of the farm bill, at least in the short term and here we are talking about two years.

Regarding program provisions by objective, I will touch on some of the key highlights. To increase agricultural exports and maintain market share, the major thing is they have reduced the loan rates. For example, in 1985, corn was \$2.55; this year it is \$1.92 and for the next four years it is going to be a moving average, 75 per cent to 85 per cent of the market price. Wheat is from \$3.30 to \$2.40 to \$2.28.

2:20 p.m.

They have earmarked \$5 billion for intermediate credit and credit guarantees for exports. They have earmarked \$110 million in targeted assistance to counter unfair trade practices of countries they feel are hurting US agricultural exports. There is a billion dollars worth of commodities, government-owned stocks to enhance exports. It is a kind of buy-one-and-get-one-free program to countries they feel they have lost to the EC.

The second objective is to reduce surpluses and productive capacity. They are using government-owned stocks as payment in kind to eligible producers as a deficiency payment. They are using government-owned stocks as export enhancements. They are cutting production by increasing mandatory set-asides. In other words, if you want to enrol in the program, you have to cut back your production by 20 per cent for wheat this year and by 27 per cent for 1987.

They are establishing maximums on the reserve stocks program. They have an emphasis on removing highly erodable land from production. They have swampbuster and sodbuster programs. There is also an effort to cut back on dairy production through a whole herd dairy buy-up program, in which a producer bids to the US Department of Agriculture for what he wants the government to pay into buying him out of production. We will get to that in a second.

To reduce the role of government in price determination, loan rate calculations now are flexible, not fixed in advance and are determined by the average of market prices and not by legislation. Reducing loan rates effectively lowers price protection afforded foreign producers by lowering the world price for commodities. To reduce government program costs, they are trying to use up government-owned stocks in payment-in-kind programs and in export enhancement. Eventually, they will reduce target prices on which deficiency payments are calculated.

To free up access to world markets, they have unfair trade practice legislation aimed specifically at protected markets and the use of export subsidies. They have food-for-progress and food-for-peace programs and they are fighting subsidies with subsidies. A good example is that they have \$1 billion worth of government-owned stocks. In May, there was a sale of 198 million pounds of US beef to Brazil and the US paid 68 per cent of the cost itself.

To isolate US producers from ill effects, they are maintaining target prices for the first two years and they have recently extended their loan repayment programs and part of the deficiency payments in advance.

Those are some of the provisions and these are some of the results, six months worth of results.

Back to the main objectives again: Increasing agricultural exports and regaining market share has not been very successful to date. Exports for the US as a whole are running at 70 per cent of a year ago. World prices for feed grains, wheat, soybeans, rice, sorghum are all very low. Trade competition has intensified, especially with the European Community, and market-share projections for the US have been reduced from a year-ago level. For the first objective, it is too early to tell but it has not been a raving success so far.

The second objective is to reduce surpluses and productive capacity. The whole herd dairy buy-up program had about 25 per cent of all the dairy producers apply to the program. They enrolled about 1.6 million dairy cattle, which is double what they anticipated. They are going to cut back production by about 8.7 per cent this year. That has been a pretty successful program. The others have not been.

Eighty-three per cent of all corn producers enrolled in the loan program this year and acreage dropped from 83 million to 76 million, but production is still going to be more than eight billion bushels.

Another thing is the conservation acreage reduction program. The response was so minimal that they had to go through the bidding exercise twice. They still have only 3.8 million acres; they were targeting for five million for this year. In the next four years, they are looking for 10 million acres a year. They are going to have to do something if they want that program to fly.

As to reducing the role of government in price determination, it is too early to say. It is significant that the mere threat of a market loan provision drives commodity prices down, particularly for corn, wheat and soybeans.

Reducing government program costs is an absolute dismal failure. So far, the Commodity Credit Corp., which is the para-state organization in the US that administers its programs, has run out of money three times in the past year. The program is estimated to cost \$15 billion more than originally anticipated. As far as controlling costs is concerned, it has not done it.

In regard to freeing up access to world markets, the EC has agreed that agriculture will be part of the General Agreement on Tariffs and Trade rounds. Mr. Caine will talk about that in a second or two. It is too early to say, but the recent decision on July 1, in which the EC and the US decided to put off imposing import tariffs, may be the first admission that subsidies are not the way the EC and the US should conduct trade.

Last, isolate the US producers from ill effects: Net farm income in the US is projected to rise this year, due almost exclusively to the size and amount of US government payouts.

Mr. Taylor: Do you have any indication as to the US imports as opposed to the exports? Is there a balance or a deficit? What is the picture?

Our trade deficit in agriculture was indicated earlier for Canada and Ontario. What is the US picture?

Mr. Seguin: The US planned to run a slight surplus this year. I think Dr. Lentz mentioned that in May 1986 the US ran a deficit in agricultural trade for the first time in more than 20 years. The feeling is that with estimates the way they look, it might run about even, a little bit above or a little bit below. As the US perceives itself, and as the chart indicated earlier, that peak year is considered the base year. This has torn apart their psyche about the perception of them being the major agricultural nation in the world.

Mr. Taylor: I wonder whether we are approaching a point where a country, maybe ours or theirs, will be self-sufficient domestically and not really much engaged in exports. When you get into the supply management concept, that is not export oriented; it is strictly for domestic consumption, and the more commodities you get into supply management the more the policies are directed towards self-sufficiency for the domestic market in those commodities. Can we see an enlargement of that policy?

Mr. Seguin: You have hit upon a sore point within US farm policy as to what the role is for supply control, given a free market orientation in US philosophy.

The US wheat producers are looking at a referendum for protection control as a means of raising their incomes but keeping production down so the market would be relatively self-sufficient with some exports. The US dairy industry, particularly in this year it seems, is looking off and on at supply management as an alternative for what it has. It is not the way it might go but it is looking at that.

The US is pretty well self-sufficient in most commodities but in looking at a major nation to trade back and forth, it imports our corn, despite the

fact it is a major corn producer. It has selected needs, regional needs. It also has selected commodities that are luxury commodities, special tastes, the crops it cannot grow.

There is a natural trade flow and also the need for regional trade. The fact that we are close to the northeastern US offers us some opportunities in trade and we are not competing with California only because of distance.

Mr. Taylor: Yes, the beef industry is an example of that.

Mr. Seguin: And our hogs.

Mr. Taylor: I wonder where they may be heading or where we may be heading. There seem to be internal conflicts in this area.

Mr. Seguin: There are in the US. I would say the legislators in Washington would prefer the drive towards exports being maintained and enhanced. There are rumblings within farm levels that it is not possible. Brian raised some of the points about the intense competition, and Tom will address that matter later.

Mr. Taylor: You mentioned the European Community. It strikes me it is going to sink that community if it keeps up strong financial support for agricultural policies.

2:30 p.m.

Mr. Seguin: The policy tools of the farm bill are to bring this whole question to a head. The Europeans have used their economic agricultural policies to encourage production in terms of becoming exporters of products as well as importers. This is threatening the Americans in some of their "normal markets." The Americans are saying, "You have to stop this." The Europeans have not, so the Americans have said, "We are going to use subsidies in the same way you have and we are going from treasury to treasury." The unfortunate part of it is that countries such as Canada, Australia, Argentina, Uruguay and Thailand, the ones that do not have sizeable treasuries, are the ones that get burned. The Europeans are the ones who seem to be willing to fight it out at this time.

Mr. Taylor: They have the problem of new countries such as Portugal and Spain coming in, which is going to cost them money as well.

Mr. Seguin: Somebody has to break. How many other countries will break with it when it becomes a really serious question?

Mr. Taylor: I think we are heading for a real crisis.

Mr. Doidge: I now want to look at some of the short-term implications of the interim results of the US farm bill so far. Bear in mind, we are looking at about only six months' worth of results, so it is preliminary. In other words, this is what I think you should look for in the next six to eight months. If US agriculture exports do not pick up soon, and they are running at 70 per cent of year-ago levels, some form of further export enhancement is possible. In other words, they are going to make it easier for other people to buy their agricultural commodities.

Things to look for include possible introduction of a marketing loan provision. That means if you are a farmer and you grow corn in the US and you

are enrolled in the program, a marketing loan provision will allow you to pay back the government loan that has been given against your grain. You can pay that back at the lower of the market price or the loan rate itself, so it would depress world prices further.

There could be a possible extension of the countries eligible for the export enhancement program and the main one to watch is the Union of Soviet Socialist Republics. The Reagan administration is opposed to including the USSR as an eligible country, but it keeps coming up. Bear in mind that the USSR is the major player in world agriculture trade.

Another thing to look for is the inclusion of other products in the export enhancement program, probably primarily soyoil.

The next thing to watch is that if exports do not increase and production is as burdensome as expected, some changes will have to be made to avoid government acquisition of stocks. A possible thing is waiving of interest due on commodity loans. In other words, if you are a producer in the program, you can pay it back at the loan rate with no interest. Cash prices will be depressed because the tendency will be for the farmer to sell his grain and pay off the loan and that would depress cash prices further.

The Acting Chairman (Mr. Ferraro): Excuse me; you said, "Pay it back at the loan rate with no interest."

Mr. Doidge: Yes.

The Acting Chairman: Is that a contradiction?

Mr. Doidge: If you are a corn producer, for example, in the US, you enrol in a loan program. You harvest your grain and put it into storage and they will lend you \$1.92 per bushel for a period of nine months at a low interest rate.

The Acting Chairman: Let us say it is three per cent. You just said you could pay it back at the loan rate with no interest.

Mr. Doidge: That is right, if they enact this interest waiver on commodity loans.

The Acting Chairman: In other words, you are just waiving the three per cent.

Mr. Doidge: That is right.

The Acting Chairman: I got confused when you said, "Pay it back at the loan rate with no interest."

Mr. Doidge: They would waive the interest due on the amount of the loan owed.

Mr. Mackenzie: In effect, it is the same thing.

Mr. Doidge: Another thing to look for is PIK payments to producers, in other words, payment in kind; stocks to producers who sell on the cash markets at harvest rather than enter into the loan and reserve programs.

Mr. Taylor: A few years ago, that PIK program did not work very well

though, did it? For Canadians, I guess it did. It cut back on US production and enhanced the world price for corn. We benefited from that. It cost the US a lot of money to subsidize the rest of the world.

Mr. Doidge: You have hit on two points. It cut back production by about 27 per cent and Mother Nature took a hand with a drought of roughly a further 30 per cent cut. The other side of the coin is that the cost of the program was terribly prohibitive. It is not likely you are ever going to see that size of program again because of the cost involved. What we are talking about here are small PIK programs with limits of \$20,000 to \$50,000 per producer.

Extension of the loan period: This has been enacted already. They have extended the loan period to a year. Again, the marketing loan provision is possible.

Another thing we should watch for is that if production is as burdensome as expected, supplies are going to build. The way it looks now, with an eight-billion bushel US corn crop and the carryover stocks, we are going to have a total supply of more than 11 billion bushels. We are going to have carryovers for the next two years in excess of 58 and 60 per cent of usage. That is a tremendous buildup in stocks.

Increased set-aside and diversion requirements are likely, and this has been done already for the 1987 wheat program; increased inducements to enrol in the conservation acreage reserve program, in other words, making it more attractive for producers to take land out of production; and expansion of what they are referring to as fragile land set-aside requirements, types of sod-buster or swamp-buster programs.

Those are some of the short-term implications of the US agricultural policy. I will turn this over to Tom Crozier for impact on world production, use and trade.

Mr. Crozier: As a lead into my topic, I have provided a synopsis of developments during the past decade in market and policy development. I have summarized the current predicaments facing the US and outlined the objectives and strategy of the US farm bill to give a background. That has already been alluded to. I am going to start with my impact assessment which begins on page 14. I realize this is an extremely nebulous area.

The Acting Chairman: Being politicians, we are used to being nebulous.

Mr. Crozier: The impact analysis is best approached by looking at the critical factors and partitioning them into the short term, which is 1986-87, and the intermediate term, the end of this decade. We have looked at the factors affecting production, usage, ending stocks, world price and trade. I will outline some salient features on that. The first is that supplies for 1986-87 are essentially already established. Some adjustment might be effected through drought or pestilence or whatever, but at present that is expected to be small. The only unknown on the supply side is the southern hemisphere. Given the need for foreign exchange earnings, the effect of prices on production decisions are expected to be small.

On the demand side, demand will have limited opportunity to expand usage because of marginal expansion in livestock and poultry production and, although it is being alleviated, the foreign debt restrictions on developing countries.

In the longer or intermediate term, supply in other regions will have time to adjust. I am not saying it will. We will get to that shortly. Policy instruments in those various countries will come into play, support levels, stabilization levels, intervention prices. Costs will be important in determining supply and technology.

On the usage or demand side, low prices will stimulate livestock and poultry production. By this period, expansion of hogs, cattle and poultry should have had time to take effect. Furthermore, economic growth, population growth rates and easing of foreign debt should bode well for demand.

Under the next table it says, "Source: economics and policy co-ordination branch." We compiled this information from a number of publications. This table tries to look at supply response in various regions of the world regarding one time which is really an indication of technological improvement. In other words, regardless of what happens to price, there seems to be a trend towards more production. You will notice that in most of the regions there are improvements of between one and five per cent in production per year.

The other important part of this is that the long-term supply response with respect to price is, for most regions, negligible or only moderate. That means that if prices drop significantly, that does not have a major role in determining production decisions. If we anticipate contraction and supply on a global scale--incidentally, this relates to coarse grains, because from Ontario's standpoint--

The Acting Chairman: For my benefit, if for no one else's, in this table--it is nebulous--how beneficial is it to indicate percentage growth when you do not know the exact amounts? Take Thailand, for example; if it is a small amount and you say it is going up five per cent, it can be somewhat misleading, can it not? Would the statistics to show production not be much more beneficial?

Mr. Crozier: This is production trend.

The Acting Chairman: I realize that, in the form of percentages. The actual amount of production would be the critical thing as opposed to percentages. Do you understand what I am saying?

Mr. Crozier: You are thinking that perhaps weighting them--

The Acting Chairman: Yes.

2:40 p.m.

Mr. Crozier: Definitely. If we had more time, I would weight the importance of these. The importance of this is that it does indicate there is a general technological growth in each region and world price is not very significant in most regions. You are definitely right. If they were weighted, it would be more accurate.

Mr. Tayler: What if you compare production in South America, for example, particularly Argentina and Brazil, to one of the other--Thailand was mentioned; I do not know what its production is--in terms of quantity and the impact of that on the US and Canada?

Mr. Crozier: These are major producing countries. Thailand,

Indonesia and the Philippines are important players. We have tables at the ministry which show the major players. Perhaps I should have brought them with me. They show the major producers in the world and the top 10 producers of coarse grains, wheat and soybeans. You have a valid point.

Mr. Thomson: I would like to support Tom's comments. Thailand is a major supplier of palm oil, which is a substitute for soybeans produced here in Ontario. As he pointed out, Southeast Asia has a very dramatic effect, and all those countries are increasing supply and very insensitive to price.

Mr. Crozier: The growth in supply is one of the reason for the lost US markets.

Mr. Taylor: You are saying this demonstrates an even impact, regardless of country, on US and Canadian agriculture.

Mr. Crozier: What it is intended to show is not the impact on the US; it is the impact of US policy or what we feel is the ineffectiveness of US policy vis-à-vis lower world prices on supply response. The US is gearing towards a lower level of prices through its lower loan rates, in effect to try to capture the markets it lost. It will do that only if supply in the rest of the world cuts back. We are saying that is not very likely.

Mr. Taylor: I understand. I was looking at it from the perception of the US of the old, classical supply-and-demand curve in supply and pricing.

Mr. Mackenzie: You are saying that is not really very effective.

Mr. Taylor: I am saying that is not realistic. I interpret what you are saying is that it is not realistic because production is increasing in the major producing areas regardless of price.

Mr. Crozier: That is right.

Mr. McFadden: With regard to the Soviet Union, in reference to both the percentage increase shown on this page and the short-term prospects, what effect would the Chernobyl nuclear accident have? I presume that has happened in the middle of their bread basket. What effect does that appear to have on the Soviet Union's plan? Second, what effect is that likely to have on us, the US or other suppliers?

Mr. Crozier: As I understand it, I do not believe it is going to have a major impact. I may stand corrected.

Mr. Doidge: Most indications, as far as market and supply projections go, are that Chernobyl did not have a marked impact on the Soviet Union's agricultural productive capacity, either in the short term or the long term. The effect does not seem to be too significant.

Mr. McFadden: Is that related to the fact that no one knows whether nuclear activity is likely to appear at this time? Do we not have the information, or is it felt that the radioactivity was so tightly confined that it did not get out to the agricultural areas? On what basis is that assumption being made?

Mr. Doidge: The basis of it is that, first, we do not know very much about the long-term effects of radiation in that type of situation. Second, we are looking at an area around the Chernobyl plant that produced--estimates

vary--from one to four per cent of total agricultural productivity. There are two things I would say. First, we really do not know what is going to take place in the long term. Second, the area directly affected was rather minor.

On the next table, we try to get a feeling for prospects for growth in demand. To do that, we have looked at estimates of income elasticity for coarse grains. Incidentally, elasticity refers to the percentage change in quantity with respect to percentage change in income, that is, income elasticity. A significant income elasticity means that for a particular percentage increase in the income, demand for coarse grains will respond favourably, more significantly than a low-income elasticity.

You will note from that table that the income elasticity for most of the regions is significant, which bodes well for expanded demand if those regions sustain favourable economic growth and direct price elasticity is in most cases significant, which means that for a particular percentage decrease in world price that demand will respond significantly. If prices drop, that bodes well for expanded demand in general.

In the other two columns, look at forecasted population growth rates and gross domestic product growth rates for these regions from 1987 to 1990. Gross domestic product growth rates are favourable. The population growth rate in the developing areas is fairly high. This tends to bode well for growth in demand.

Mr. Taylor: That is domestic demand.

Mr. Crozier: Yes.

Mr. Taylor: In the population growth areas, they do not have the money to buy the products.

Mr. Crozier: We also made some very general assumptions regarding the prime lending rate. All we are saying here is that we are expecting stability during the next five years, which is as good a guess as any. That is our outlook, based on the Conference Board of Canada reports. Actually, the potential important variable is the international debt situation where an expected gradual easing of the debt should lead to favourable expansion of demand, particularly for the developing countries.

From this information, the next table essentially provides what we expect during the next year and the remainder of the 1980s. In 1986-87, excess supplies will prevail. Some expansion in demand will be realized, but it will be limited because of the limited period for adjustment in livestock.

There will be little improvement in trade, continued high stocks in the United States and very low world prices. At this moment, we figure our US corn price is going to be about US\$75 or C\$105 a tonne for 1986-87, which translates to an Ontario price of about C\$95 a tonne. That translation is based on the graph and accompanying table. We have charted the historical relationship between Ontario and United States corn prices. Since about 1981, Ontario corn prices have tracked below the United States prices. In other words, we are in an export position.

Mr. Taylor: How much a tonne did we lose?

Mr. Crozier: Because of the export position, it was \$10 to \$15.

Mr. Taylor: It costs you money to grow corn.

Mr. Crozier: I am sorry.

Mr. Taylor: You lose money on every tonne of corn you grow.

Mr. Crozier: That is part of the market reality.

Mr. Caine: I point out that this is the Ontario price of corn and that is the US price; so you come to a conclusion whether a farmer in Ontario is losing or gaining money from that.

Mr. Taylor: I am just listening to the farmers--Canadian farmers, not American farmers.

Mr. Crozier: In the intermediate term, supply is expected to expand, but at a more gradual rate than in the past decade. We are expecting a moderate to strong growth in demand for grain because of economic growth, population growth and livestock and poultry sector expansion. However, because of the continued growth in supply, we are expecting a protracted period of low, potentially volatile prices.

2:50 p.m.

It should be remembered that the United States right now is planting about 85 per cent of its potential land in coarse grains. If, for some reason, weather in one year turns poor and prices increase, there is such a productive capacity out there that could be unleashed that, unless there is another drought which is not likely, the prices will rebound lower again the next year.

We are heading into an era of lower prices. We expect US corn prices to hover in the \$70 to \$90 a tonne range, with Ontario prices at \$82 to \$110. The American prices are in US funds, Ontario in Canadian funds.

Adjustment of agricultural support levels downward to reflect demand on treasuries is a very likely development. Perhaps adjustment of forms of assistance via policy instruments through domestic adjustments or through multilateral trade negotiations or bilateral trade negotiations might ensue.

I believe Richard Caine will be talking about that. There will likely be a gradual reduction of US stocks and an increase in US trade in the market share, but how much of an increase and what cost it is very difficult to say.

To put the price projection in perspective, the next table, based on the historical relationship of Ontario prices with the US, compares what the price expectation is for Ontario and compares that with cash costs or variable costs. It does not say on the table, but our expected outlook is for the lower forecast. Some people think even that is optimistic. It essentially depends on how resilient we believe international demand is. The bottom line is that we are in for tight times, if you believe that scenario, and that is our best estimate.

Mr. McFadden: I had one question. On the general assumption page, the last point under "International Debt" says, "Gradual easing of international debt will allow demand in developing countries to resume and decrease dependence of some developing countries on the need for foreign exchange earnings through grain exports." I am curious to know the basis for

that somewhat optimistic view of international debt. As of now, there does not seem to be any basis for feeling particularly optimistic right at this minute, from what I have read. Maybe I have missed something, but I am curious to know the basis of the optimism.

Mr. Crozier: I will be honest with you, I am not an expert on international debt. I asked one of our policy advisers to survey the literature and the Conference Board, Chase Econometrics and two or three other sources--I cannot think of them offhand--and he summarized the data in the literature he found. We can provide something to you. I summarized it here.

Mr. Doidge: There is an article today in the Globe and Mail about the International Monetary Fund loosening of the conditions under which it would expand and increase the loans to Mexico, which is a major debtor in the world. This is the first time the IMF has gone along with the loosening up of restrictions. Mexico has insisted it be allowed to increase its economic productivity rather than continue very stringent policies within the country.

Mr. McFadden: I think what you are alluding to here is pressure that has now come on the IMF to loosen up. I take it what you are suggesting--and I have not seen the background material--is not so much that the debt position is improving; it is more the point that the international banking and finance community might be a little less restrictive in order to prime the pump a bit with respect to economic activity for these countries.

Mr. Caine: I am going to hazard a guess at some reasons there might be some gradual easing in the debt. The decline in oil prices can affect certain developing countries. The relative depreciation of the American dollar in world trading circles might be easing some of the debt problems and a downturn in inflation and interest rates are other factors. I know Mexico still faces problems because of its oil dependence.

Mr. Taylor: And other nations.

Mr. McFadden: Without getting into a debate on this, I suppose the problem is that we all have to make assumptions about where things may go. The position of the major debtor countries has not improved appreciably in years. Every month, notwithstanding drops in interest rates, reduction of the value of the dollar and everything else, the major debtor countries continue to be in a position where they are renegotiating, defaulting and having trouble meeting interest payments, notwithstanding the fact that rates have dropped. The economic situation of a lot of the African countries that are not necessarily major borrowers has never been worse. Perhaps by the time we head into 1987, that will all have changed.

I am curious about the assumptions on which that was made. I do not expect that you folks are experts or have gone around the world to check all this out. I want to know where that assumption came from. I hope you are right. I am not saying I do not hope you are right. My worry is that it may not happen.

Mr. Crozier: I am not that good at recollecting figures, but I believe the premise was on comparison of debt to foreign earnings towards specific countries and that it has come down drastically for countries which borrowed through the market as opposed to countries which borrowed through central planning.

Mr. Thomson: I want to throw in one more input. As long as the Americans are able or willing to run a \$150-billion trade deficit, we are not going to have a Third World financing problem. The Americans are essentially buying the goods that Third World countries are producing, therefore enabling them to maintain their borrowing capacity. As long as the Americans are willing to bear that cost, perhaps a little more optimism is warranted.

The Acting Chairman: It is unfair drawing agriculture in comparison to manufacturing. The relationship is not so much productivity versus consumption; it is now earnings. In other words, the impetus in the business sector is on productivity and earnings. It appears that the impetus in the agricultural sector is now on earnings. Productivity does not seem to be a problem. Is that a safe assumption?

Mr. Crozier: I do not know whether that is a fair assessment. Productivity, certainly in the centrally planned countries, does not seem to be a big issue. They are always trying to prove it. I am not sure I get your question.

The Acting Chairman: It is my business background. I am trying to draw comparisons between the agricultural sector and the business sector. It appears that a lot of the programs in the agricultural sector are not necessarily--

Mr. Crozier: Productivity-oriented?

The Acting Chairman: --productivity-oriented. Indeed, they are somewhat regressive from the standpoint of productivity per se, putting acreage aside, for example. That is just an opinion.

Mr. Seguin: You are quite correct. That has been the case in the United States farm belt. They tried to pull back out of production because the American farm economy, the Canadian farm economy and much of the European Community capacity exist to produce a lot of food and great wealth. The problem is in the cost. The problem raised here is, are the buyers able to buy? Is there an effective demand? Unless you get all these flows going together, something has to give. The Americans have decided they are going to start pulling something out of production.

The other problem they face is that some of the land which has gone into production is very fragile. Perhaps it should never have been put into production anyway. They are trying to pull some of that out. That is part of a concentration-minded effort, a long-term thrust.

The Acting Chairman: To what degree does that hold true in Canada?

3 p.m.

Mr. Seguin: There is some evidence throughout the west and parts of the prairies, where they have been hit with consistent droughts and where they expanded during the 1960s and 1970s with high prices. In the 1980s, with a combination of selling at low prices and bad weather, perhaps that land should not be in production in the same way. We have seen that in parts of Ontario where we may have put too much emphasis on monoculture, a continuous crop in corn, it makes a better mix, a longer term benefit for the soil. That is a thrust within the ministry, a thrust from the federal government, and it seems to be a movement within the farm circle generally to take a little more time with the land and resources.

Mr. Taylor: I have noticed over the years, with all the debate on good rural farm land going out of production and all the rest of it, price will sure bring on production. Farmers know how to grow commodities and, if the price is right, it is amazing what land comes into production. I have seen land I thought would not grow anything, but when the price of corn and soybeans shot up, it was amazing what was produced. I think the conservation in this case is a byproduct of a policy to shrink the amount of productive farm land.

Mr. Seguin: There is a combination, but there is a real thrust to conserve, with the underlying dollar cost for the government to discourage these guys to produce, particularly in the United States. The point you made is one of the problems they face. Farmers are good businessmen. Put the worst land out of production and double your efforts in the good land and you can still get the same production.

The Acting Chairman: By and large, are they good businessmen or good producers?

Mr. Seguin: Good producers, but as individuals they are looking to reduce their costs and still get a good return. That is how to deal with it and still get government payments on the land they have taken out of production. You end up with almost the same amount of normal income plus you are getting a government payment.

Mr. Taylor: Is that being a good businessman or a good producer, Mr. Chairman?

The Acting Chairman: That is a subjective decision.

Mr. Seguin: As an individual, it is being good a businessman, but in total they are good producers.

Mr. Crozier: I would like to turn it over now to Brian Doidge.

The Acting Chairman: You said that with a sigh of relief.

Mr. Doidge: I am going to talk about the impact of the United States farm bill on Ontario agriculture. Tom has touched on what world prices for commodities look like. For sure, I think we are looking at lower prices for commodities where the effective price is determined and set in the US, for example, and in particular corn, soybeans and wheat. We have already seen the price for corn fall substantially this year, as it has for soybeans and wheat.

In Ontario's trade competitiveness, we are looking at an increasingly competitive marketplace. It seems to be a buyer's market dominated by subsidies. It is going to be pretty tough to compete internationally. However, there are market niches that we can identify and these will remain for quality products, especially if the Canadian dollar remains at the 72-cent range. A good example of this would be wet-milled corn into Portugal where the corn council announced that it thought it had identified a reasonable marketplace. That is the sort of thing we are talking about, quality product identified in each market and penetrated.

Credit and financing for Ontario agriculture: Since prices are going to be low, cash flows will be reduced. It is going to make government income stabilization and support programs very significant contributions to farm income. Since commodity prices are low, land prices may decline further than

they already have, and we are looking in the area of a 40 to 50 per cent decline since its peak in 1980-81. This will further erode equity and it is going to weaken some producer credit worthiness, even more than we have already seen. However, farmers with a minimum debt load or without debt at all, who are also low-cost producers, should be able to find opportunities to expand their productive base this year and next year in particular.

Other implications: There is no question that low prices will demand low-cost, efficient production; herbicide and pesticide demand could weaken; fertilizer use could decline. The reason for the decline, since prices are low and the emphasis is on least-cost or low-cost production, is that one is going to cut back on areas that are expensive. New machinery purchases should weaken further than they have. This means crop yields may not increase as quickly as they have in the last five or six years, so that in the next three or four years crop yields may not increase as rapidly. The tendency will be to feed this cheap grain to livestock rather than to market it as grain. To sum it up in a nutshell, the current grain glut could well become a meat glut.

I will turn it over to Mr. Caine for implications for trade.

Mr. McFadden: First, may I ask ask about this? You mentioned new machinery purchases should weaken. They are weak now by historical standards.

Mr. Doidge: They should weaken further.

Mr. McFadden: Have you given any thought to the impact this might have on a company such as Massey-Ferguson?

Mr. Doidge: No, sir. It will not be good. It will weaken their position even further.

Mr. Seguin: As you are aware, it is a buyer's market now. It is going to be more so. With the constant rationalization in that sector, there will be further pressure, with down-sizing and moving out plants. It seems it is going to be almost a decade for that one.

Mr. Doidge: At a recent farm machinery manufacturers' meeting, most of the dealers were asking when we were going to get back to the good times. An economist there made the comment--not that he knows anything--that those past times were the aberration and that these are the normal times, the times we are going to have to get used to, with very low sales, potential for future sales not great and very competitive situations. Farmers do not have the money to spend.

Mr. McFadden: The machinery industry probably has some further rationalization to undergo before it reaches floor level

Mr. Taylor: You cannot afford a \$60,000 tractor if you cannot afford the fertilizer, herbicide and insecticide. The problem in terms of even a debt-free farmer is that the input costs are so high. We hear about a buyers' market and so on, but we do not see these input costs coming down. Even with an efficient operation and no debt, trying to find your niche may be difficult when you figure your input costs.

Mr. Doidge: One of the implications of the farm bill for Ontario agriculture is that pesticide, herbicide and fertilizer costs should come down. Given a weakening in demand, it is possible there could be some decline in input costs.

Mr. Taylor: That is the artificiality of the market. We talk about a free market; I get into discussions with my good friends in the Socialist party in this regard. It is a managed market to a great extent. Sugar prices escalated some years ago; there was a dramatic increase. Any product with sugar in it went up. All the soft drinks went up. What I could not understand was why soda water went up. I am a soda water drinker. I did not think sugar was put in soda water. At the time, it followed along. Then when prices come down with a dramatic fall, when prices collapse in the industry, there is not a corresponding impact in the marketplace as far as the consumer is concerned.

Mr. Mackenzie: As with gasoline.

Mr. Taylor: When the price escalates in other commodities such as oil, when the price of oil has doubled and tripled and quadrupled and all the rest of it, we cry about the thousands of people who are being put out of jobs because of escalating prices. Now we are crying the opposite because the price of oil is going down. I will not get into all the contradictions in that regard, but when the price comes down they argue that the cost of oil makes up only 20 per cent of the cost of the gasoline.

3:10 p.m.

The Acting Chairman: Is that volatility not a major problem in all sectors and not just agriculture? It is like interest rates. When interest rates were bad they got to 22 per cent, and then they fluctuated very quickly, down to 10 per cent and back up and so forth. If the stability were there, people could adjust and conform to it. Is it not the same scenario in agriculture, the fact that it is so volatile?

Mr. Seguin: One of the problems governments across Canada and the US have tried to address is how fast prices have changed. You mentioned input costs, interest cost on debt, which is very expensive, and how it has switched from being a minor item to one of the major items that farmers face. You have a lot of young farmers as a select group facing it. One of the points made by all agriculture ministers, federal and provincial, is that farmers have to have some stability in the cost structure so they can plan ahead and make investments. The question is how to achieve that at the same time as trying not to manage the economy too much or not to set absolute standards, as the US tried to do in certain things. The flexibility was lost and the economy went past them.

It is a real problem. Ministers are trying to deal with it as best they can. They have various policy measures, but it is something we still have not resolved. Farm groups in particular point out the volatility of the cost structure. They look back and say, "Prices seem to be pretty flat or there are moderate changes, but costs can go like this all the time, up and down." We have no control over it because some costs are not made in our sector. Interest rates are part of a general economic force. They do not care what happens to agriculture. Interest rates are set by other standards.

Mr. Taylor: When I seed my crop, the price of binder twine and of gasoline and so on is going up. The cost of a bale of hay is going up, and hay is not costing any more. It is still growing and if you get the right rains, you are all right, but it is costing a lot more and there is nothing you can do about that because of the higher input cost. In the meantime, the prices are depressed for beef.

Mr. Caine: You have heard a lot about the history of the farm bill

and its components, how it is affecting world production and how it has been impacting on world trade and on Ontario agriculture. My task is to look at the influence of the farm bill on the free trade talks. Both the bilateral talks with the US and the multilateral talks that are coming up are in many ways trying to address a lot of the problems you have heard about earlier.

I am going to start off by talking about the Canada-US trade talks because they are the negotiations we are currently engaged in. The first informal meetings began in May, and they are at the exploratory stage of running through the issues until about Christmas. Then they will be moving into a bargaining phase with expected completion in September, so there is a very tight time frame.

In these negotiations it is our assessment at this time that agriculture is going to be treated as a special case. The sensitivities of the sector are going to be taken into account by both the US and Canada. This is reflected in the fact of a special sectoral committee on the agriculture, food and beverage industries. That is one sector that is being dealt with by the trade negotiations team and one kind of background information. Another aspect is that Canada is going into negotiations with a view to securing access for its products in the US market. On the other hand, the US is perhaps seeking access to Canadian markets.

Turning to the influence of the farm bill, on this slide we see the typical scale of subsidies inside the farm bill. We are going to have a much more complicated negotiation because the farm bill is providing a lot of subsidies to lots of different groups that are not the same as in Canada, so the prospects of being able to negotiate a large trade agreement have been made more difficult. However, at the same time, the farm bill emphasizes the need that domestic agricultural subsidies be included in negotiations. We have seen the disastrous effects of agricultural subsidies around the world, everyone trying to increase production and the on-and-off-again trade war between the European Community and the US.

The final observation on the farm bill in these bilateral talks is that it has weakened the US negotiating position. Its claim to have gained more and more access to the Canadian market cannot be sustained when it is providing as well record-level subsidies to its farmers.

The final point now, as things stand, is that it is going to be difficult for producers in Canada to accept a reduction in trade barriers when at the same time they see that US farmers are receiving large deficiency payments through the farm bill. It means the farm bill is a crucial component of the bilateral trade negotiations.

Mr. Taylor: Before you came in, we were discussing antidumping legislation and countervail. My God, here we are just getting into that area where there would appear to be a resurgence of those exercises in the US, as opposed to a diminution of those practices, which are foreign and contrary to the substance of the trade talks. Do you think the trade talks on agriculture might be caught in a conflict or crossfire between the US and the EC?

Mr. Caine: To answer that question indirectly, it is a motivating force behind the bilateral trade negotiations. Canada and the US have stated that they view the bilateral trade talks on agriculture as an opportunity to set an example for the rest of the world community to negotiate agricultural subsidies. When you say "caught in the crossfire," in a sense Canada is finding some protection from that crossfire and trying to end the war and trying to rationalize.

Mr. Taylor: Perhaps you are suggesting that the US is creating a worst-case scenario and that we are going to show how it can be resolved by bilateral talks and agreements.

Mr. Caine: That is the first step and that is the motivation of returning to the multilateral trade negotiations. Again, one of the US thrusts is for the inclusion of agriculture and a push for the elimination of export subsidies that the EC uses.

Mr. Mackenzie: If they can screw us first, it may be easier to do it to the EC.

Mr. Caine: I am going to proceed and go into the multilaterals.

The Acting Chairman: You are almost at the conclusion stage. Perhaps we can let you finish and then get into the general questions.

Mr. Caine: For a number of years, there has been a lot of work inside the General Agreement on Tariffs and Trade on the multilateral trade negotiations. The secretariat has been working on a paper that will set out how agriculture will be dealt with. This work was completed in November 1985. Agriculture has been waiting until other sectors are brought up the stream, such as the problems with services and having those included, that the US wants, whereas the developing countries such as India do not want them included. In the past few weeks, there has been a lot of press coverage of the fact that agriculture is going to be on the table in September. There has been a lot of groundwork already done in taking agriculture to that position.

I emphasize that when the multilateral trade negotiations start in September they will be happening at a very crucial time, because of the protectionist wave we see around the world and the debilitating effect we will see on the world economy if trade contracts. We are coming up to that important time.

3:20 p.m.

In the past, trade negotiations in agriculture in this arena have successfully dealt with tariffs on a number of products, but they have been unsuccessful in dealing with the nontariff barriers related to domestic policies. The farm bill is the prime example, but I am sure you all know about the common agricultural policy in essence and its programs. It is also pretty mystifying.

Canada has been approaching these negotiations with the objective of improving the discipline with which countries subsidize their agriculture and is emphasizing trying to get controls on export subsidies the European Community uses. The emphasis in Canada is on changing the laws or providing a better dispute settlement system. I guess the US perspective going into the talks is that it wants the EC to stop using export subsidies to make drastic changes to its common agricultural policy. The EC is going into negotiations saying that it is willing to organize or rationalize world trade by coming to market sharing agreements. That is the thrust from France. It would like to carve up markets in much the same way as supply management programs are run in Canada. It is an extension of the same philosophy.

Mr. Taylor: Except that supply management as we know it is calculated to serve simply the domestic market, because is not compatible with an export market. That is the whole concept of supply management and pricing.

Mr. Csine: Yes.

Mr. Taylor: Yet when you look at the US, from what you have just explained, it has a policy of managing supply as well, albeit through another mechanism.

Mr. Mackenzie: There is no reason it could not be expanded, though.

Mr. Taylor: Under the General Agreement on Tariffs and Trade, there is provision for supply management--for marketing boards as we know them--in the commodities that are managed, such as milk, chicken, eggs and turkeys, so that it does not infringe the GATT rules. With the US policy and with provision for marketing boards and managed supply under our system being recognized by GATT, would you not think there would have to be a combination in any bilateral arrangement with the US?

Mr. Seguin: I think the point Richard is trying to make is that the Europeans are offering supply management on a global basis. "Here are the markets. We will ship them out and we will do that." You are quite correct that supply management in a country is allowed under the GATT rules, and the Americans have opted for a very expensive, direct public expenditure system of production where supply is controlled by taking product off the market continually.

Under the bilateral agreements, from what we have heard so far and what the trade negotiators' office has kind of provided to us in verbal comments, it would seem that the Americans have not directly attacked the supply management system, but they are looking at some ways of opening up flexibility. The question then becomes, is that flexibility leading down the road to a dismantling or a limiting of the role of supply management within this country? Our quid pro quo could be, what about the marketing systems in the US? They have marketing orders. They have other ways of controlling supply or limiting competition. Would those be up for grabs? These are the kind of things the trade negotiators on both sides will have to play with.

3:20 p.m.

Mr. Taylor: Payment in kind, subsidies and payment for not putting land into production, which is effectively what they have--or putting it into conservation, if you want to look at it in a positive sense--are all factors that manage supply. You have a form of supply management of productive land that is available to produce a particular commodity. Perhaps that is in a global context and a more general approach than what we have when we hand out quotas--we do not hand them out, but when we provide for a quota system of milk production, for example.

Now that you manage your supply, through either quotas or some other means, it is a question of how you manage price. If you are going to manage price in the way we do, what you are doing is confining yourself to a domestic market. If you are going to carve up a market share in a global sense, then you will have to have another approach. You are not going to get away from some type of management in the sphere of agriculture, I do not care what you say; so you are not going to have any free trade. I think it is impossible--nothing is impossible, but certainly in a human context in this century--to have free trade in agriculture.

The Acting Chairman: We said that in our first report. May I ask the members of the delegation to get on with the conclusion? I anticipate some interesting questions from the committee.

Mr. Caine: I was mentioning that the US has a different perspective from the European Community. US forces could try to move to a free trade world in agriculture, but they have escalated the subsidy role through the farm bill in an attempt to bring the EC to the negotiating table to negotiate the common agricultural policy.

The EC reaction to this is unclear. They have choices of matching the subsidies, which is politically costly to their treasuries, but they have a very strong agricultural community that would want them to do so.

The other influence of the farm bill here is that it confirms the need for agricultural subsidies to be part of the multilateral trade negotiations. If countries continue to subsidize agricultural production, it is going to drive down the world price and everyone is going to be the loser from that.

To finalize these points, the outcome of the bilateral and multilateral trade negotiations is unknown at this moment. They are in a great state of flux. The whole scope of the negotiations is still being worked out. I guess the people who work in trade policy are perpetual optimists.

Again, the final point in this section is that the escalation in agricultural subsidies in the developed world is extremely damaging to agricultural producers around the world. It is damaging to producers in this country and in developing countries. Therefore, it is important that the issue be addressed.

I am now going to hand you back to Dr. Lentz, who will provide some concluding comments on our talk today.

Dr. Lentz: I remind you that we have talked a little about the legislative framework in which we find agricultural policy. We have talked a bit about the impact of that on world trade prices, production and that sort of thing. We have talked a bit about the impact of the US farm bill on Ontario agriculture, and Mr. Caine has just referred to some of the impacts the farm bill has on the trade talks and the process that is going on at present and will be going on into the future. Given this whole presentation, I draw a few conclusions to your attention.

1. In the past, US agricultural policy has provided significant and important price benefits, not only to Ontario and the United States but also to the rest of the world.

2. The 1985 Food Security Act has a primary objective of re-establishing the United States as a supplier of first choice for agricultural trade. They are also trying to reduce the role and the cost of government in the policy framework.

3. For the foreseeable future, world grain and oilseed prices are expected to be low and volatile. Agricultural trade in the world will be extremely competitive. Subsidies will be an important consideration in all those areas.

4. Macroeconomic policies or variables, such as exchange rates, interest rates and growth rates in other countries, could have as much or more influence on prices and production than does agricultural legislation. Agriculture will become more market oriented.

3:30 p.m.

5. The farm bill has had the effect of escalating the discussion on subsidies and has brought to a head the serious problems in rationalizing world agricultural production.

6. Current free trade negotiations have been made more complex by the farm bill.

7. The long-term trend is to a lower cost agricultural industry. The high-cost producer anywhere in the world will be in serious difficulty.

In true economists' form, that has more or less given you the one hand, but I would like to give you the last graph here on the other hand.

We have talked about the framework where we have tried to get government out of agriculture, to be more competitive and so on. If we look at this last graph, we see what has happened in the past to net farm income and government payments.

This graph is drawn from some work that was done at the Iowa State University and the University of Missouri. As we can see, starting in 1974, government payments were pretty low per portion of net farm income. This has risen steadily. About the centre of the graph is 1986. We see this projection narrowing even further as government payments continue to escalate and become a greater and greater part of net farm income.

Mr. Ferraro: Those are the election years.

Dr. Lentz: That could have something to do with it.

Thank you, Mr. Chairman. That basically concludes our presentation and we are ready for any questions you may have.

Mr. Chairman: Thank you very much. I understand Mr. McFadden has a question.

Mr. McFadden: I am a little unclear with regard to the influence of the farm bill on Canada-United States trade negotiations.

In the interim report of our committee, based on advice that we had received, it appeared desirable to have agricultural products left off the agenda of those talks. We recommended that in our interim report. I just want to get clear what you are suggesting.

I get the feeling that you are suggesting that in the light of the farm bill, we almost want them there because we may have some objectives of our own. Is that what you are suggesting or would you concur with the recommendations of our interim report that perhaps agricultural products should not be on the negotiating table?

Mr. Seguin: I should answer that. There are two factors here. There is no question that there are agricultural subsidies in the US, the European Community and across the world. I guess it is desirable to the government of Canada and other provinces and it is a general concern that somebody has to take this issue in hand. This competition between treasuries has to stop before all producers are losers, as Richard just mentioned.

One of the possibilities to look at is the question of subsidies in the agricultural sector, but the question of subsidies is true for manufacturing

or any other sector. What is acceptable and what is not acceptable? The question of agricultural products becomes of great concern to both countries because of the subsidy situation, the protective devices and the marketing systems that are in place that the producers and processors have become used to and have set up their own enterprises based on whether they are willing to trade them off. That question has still not been resolved.

As far as we can see, the Ontario government has some serious concerns about having the whole issue on the table. There are opportunities and there are losses depending on how negotiations proceed. This whole question of subsidies is one real threat.

Ontario corn producers have already taken action on a countervail request on our side, essentially putting the farm bill on the table saying, "US corn producers are getting this much money, and we think it is countervailable. We want the government of Canada to put duty on imports into Canada."

Premier Devine from Saskatchewan has said publicly that it is his opinion that the whole farm bill should be part of negotiations. There is pressure to take the subsidy question. There is another question about whether or not the products, detailing out the specifics of agriculture, should be on the table.

Mr. Mackenzie: Would you allow a supplementary to that question?

I am being only slightly facetious when I say this, but would we not have been better off, for example, if we had been able to trade off the Foreign Investment Review Agency for the farm bill before we started this?

Mr. Seguin: It is a possibility. The point that Gary tried to sum up is that in the past, because of the way the Americans supported at a high level, we have benefited.

Mr. Taylor: John Turner's got you in line now, you know.

Mr. Seguin: Now we have purposely and deliberately lowered prices and subsidized our producers. We are hurting, as are many other countries: Australia, the South American countries and Thailand in terms of rice production. It is very serious, but would we ever have the opportunity? What we are facing is a domestic policy. The US farm bill is not a trade policy.

This is where the concern that Richard mentioned comes in. Where do the negotiations bring in the domestic policy framework? Are all countries willing to have their domestic policies brought into trade? I think there are some concerns by the province and by the government of Canada that there may be only so much flexibility that we are willing to give up. The needs of the producers and of people in Canada and Ontario take precedence over trade.

Mr. McFadden: Getting back to the question I asked, your feeling then is that the area of subsidies raised by the US farm bill should be under discussion. I take it you are saying it has a fundamental effect on our trade relations with the US, and obviously worldwide, in terms of the pricing.

Mr. Seguin: These are the questions of subsidies and what is allowed and not allowed. That gets back to the trade impacts. At least that issue should be raised and clarified. We have some benefits. Our hog producers have suffered from countervail based on domestic policies that the Americans have

decided to be countervailable. I do not believe our hog producers think so, and the government has had some disagreement with that. It is a question that needs to be addressed and examined. We may not resolve it, but at least let us put it on the table.

Americans look at that and say--not in terms of the farm bill but of subsidies generally--the issue of the European common agricultural policy program has to be addressed. We are seeing that other countries that were not explicitly brought into this process are looking at this and saying: "We cannot compete with this. We do not have the size of treasury to compete with Europeans and Americans. It has to stop."

Mr. Meyer tried this with his grain summit back in the late spring. They had a very polite meeting but nothing has happened, except the desire to have a meeting again to see if it can be stopped at some level. The bilateral and multilateral talks may be one vehicle for trying to address the whole question of agricultural subsidies.

Mr. McFadden: It is not only important in the Canada-US talks but also under GATT, very clearly.

I want to make one final point. I thought your first conclusion was interesting. You said Ontario and world agriculture had somehow benefited from US agricultural policy. That benefit seems to have gone into reverse.

One reason for the 1985 Food Security Act, I take it, is to assist in some way the American agricultural industry and food industry. I noticed somewhere in here you mentioned that for the first time they eliminated certain words. I forget where I read that, but there was a reference suggesting that even the name of the bill had some significance.

Looking at the rationale behind this bill and all its objectives, in addition to giving assistance to American agriculture, I assume somebody in the administration felt this was one way to almost blow up the current situation that was building up with the European Community. This may show the world that some new form of order had to be developed in the area of agricultural products. I take it from what you are saying the US government would be quite happy to amend this bill at some future date to reflect a new type of world order in the marketing of agricultural products. Is that right?

3:40 p.m.

Mr. Seguin: In our presentation we tried to simplify what has been a very complex process. The Republican administration brought forth a very market-oriented, very drastic bill in comparison to what you saw. The Democratic side of the House and the Senate brought forth a very rich bill saying, "We do not keep product prices for two years; we keep them for four," which meant that Americans could have nice subsidies for four years while more rates went down, exacerbating the situation.

The final bill is a compromise to which the Republican administration and the President have agreed. It fulfils both objectives of supporting producers, getting them more market oriented, but also driving home the issue that they are willing to back up their producers and they want to see trade go their way.

About the point Brian raises on the farm machinery, as an analogy, they look back to 1981, that peak year of exports, as their base year. It is their

position that is the base year. It could easily have been 1975. The Europeans have a point when they ask why that year should be the base year.

The point you are making today is correct. The Americans had to use this farm bill for a number of reasons. One is to protect their farmers and the other one is to drive home this issue. At least something is going to happen. Unfortunately, they face a deficit problem within the government. One of the few areas that is not sacrosanct is the farm bill. The bill is increasing more and more all the time. It has become very obvious that something has to change. The rural population has so much control, but the size of the bill and the cost may make it amenable to some changes in the future.

The information we are getting is that 1987 might be that year. After the Senate elections, there may be a new Democratic Senate. We might see some changes to that bill to reduce the cost in some way. They are already looking at \$10 billion to \$15 billion in excess of the preliminary estimates. It is an immense amount of money. If you cannot touch defence and social security or interest payments, there are only a few other areas in the US federal budget where you can get that kind of saving and one of the blatant ones is the farm bill.

There will be pressure because of the deficit, but in another way the Americans are pushing this whole trade issue. They have said publicly, "We are willing to back our guys 100 per cent."

Mr. Taylor: This year?

Mr. Seguin: This year and the next year, 1988, 1989.

Mr. Taylor: It looks like a Dutch auction to me when I look at it. It is not okay that with every successive bid the price is down. They are going down and it looks like a complete rationalization of the agricultural industry with market-oriented efficiency. The casualty, of course, will be the family farm. It is like a historic concept that does not have too much relevance any more in the agricultural industry. I do not know what you think, but that is how it strikes me.

Mr. Seguin: I think they have developments and the desire on both sides of the border to protect the family farm. I could not say at what cost. Given the drive of the American farm policy, it really puts pressure on high-cost, high-debt producers on either side of the border. Regardless of the amount of subsidies, the New York farms will get it. They are high-cost, high-debt producers. It is putting pressure on you. Can you match it?

It seems the Americans are willing to lose more farmers than the Canadian government or the provincial government here is going to lose or consider sacrificing. Last fall, when the farm bill was being debated, there were rumours that about 100,000 farmers a year in the United States would be going out of business in the next two years.

Mr. Taylor: We have seen that too.

Mr. Seguin: Not at the same level and not as ruthlessly as the American farm policy seems to suggest.

Mr. Taylor: If you follow the dairy industry over the years, you see an ever-diminishing number of producers. I am not criticizing our policy. I think it is has meant the survival of that industry. If you want a viable

dairy industry, what else do you do? I am not criticizing it, but it does mean there will be some fallout. That fallout is in terms of the number of family farms, the guy with a half a dozen cows and a handful of chickens and a few pigs. You do not see that much any more.

Mr. Seguin: It is a change in the structure of Canadian and North American agriculture. Supply matching has offered some opportunities for a more gradual reduction, and it may be a humane reduction in some cases. It has allowed people to move out gradually and others to expand gradually. The American policy seems to encourage people to make a choice over the next couple of years, unless there are policy changes.

Mr. Taylor: It looks like some provision for adjustment to the fallout from this in terms of the family farm.

Mr. Mackenzie: If the Americans are not ready to revoke or otherwise greatly modify the farm bill, it seems to me Canada is in a no-win situation in comprehensive bilateral trade talks with the US.

Mr. Seguin: Your point of view is taken. I gather the federal government sees some opportunities for beginning the discussions, but it has no set plan for this, as far as we know, and it is a pleasure to see. If the Americans are not willing to discuss their domestic policy, I think the government of Canada has a valid reason for saying, "We are not going to discuss our domestic policy either," and in agriculture we would play with a few small points.

Mr. Mackenzie: I think it is obvious, unless you are blind.

Mr. Taylor: We have already said that. We are not prepared to discuss social programs, for example, and that is a domestic policy. These things are not on the table.

Mr. Mackenzie: We said that too, even after we had been told they were on the table.

Mr. Taylor: No. Do not distort it. The argument was made in one of the cases down there, by those with their legal minds, as one of the items to establish unfair subsidy. You use all the arguments you can in any suit, you grab that and make headlines with it, and then you try to scare the hell out of the people of the country because you say our social network is going to collapse. That is another matter. It is an editorial comment as well as a response to the situation.

Mr. Mackenzie: You were forced into it.

Mr. Chairman: Are there any other questions? Are there any comments you wish to make to us?

Dr. Lentz: May I make a brief comment with respect to your comments about the family farm? I do not think the demise of the family farm is quite as close or dramatic as you may have indicated or as you may feel.

What we should recognize about the family farm is that it is changing. As you indicated, the concept of the small farm with half a dozen cows is gone. There is no question about that. What you are seeing and what we will see more in the future is that these family farms will become larger and more efficient. They will use more technology and I think they will survive. They will still be the basis of most production.

Mr. Taylor: They have become pretty well the family corporation.

Mr. Chairman: It is not really your purview, but do you have any comment on the politics or the sociology of the fact that the family farm and its preservation does not seem to be as important in the US? You basically told us in this document that it was not mentioned in the future considerations of US agricultural policy. Yet it would seem obvious from the questions you are getting today that it is of great concern in this province.

Dr. Lentz: It is a concern here and, as I indicated, it still is a concern in the US. It is true, it may not have been mentioned explicitly in the farm bill, but I think there is still a committee or a commission or something looking at the family farm and making an annual report to the President on its status. Therefore, sort of in the backrooms of the United States Department of Agriculture, it is still an important consideration.

Mr. Mackenzie: Does it not have to remain an important consideration? The potential backlash in terms of some of the right-wing threats over the lost family farm or the change in that kind of philosophy could be devastating in the US political scene.

Dr. Lentz: I think you are right.

Mr. Taylor: It is being considered more from a political than an economic point of view in terms of its importance in the agricultural industry.

Dr. Lentz: Most likely.

Mr. Mackenzie: It can be compared to state farming in the USSR or something.

Mr. Taylor: We can get into that too.

Mr. Mackenzie: That is why it is always going to be something Americans are not going to go too far away from.

3:50 p.m.

Mr. Taylor: No, I think owning the means of production is much different from the farm itself. I do not see the two as the same, so you will have private ownership of your farm lands, but it is a question of the size of the unit and whether one can afford to operate that type of unit. At one time, if you could not do anything else, you could always farm. That was what you did, but you cannot do that any more.

It is a very tricky, difficult type of industry now to get into. You cannot be an idiot and be a farmer. You have to be everything from a mechanic to a lawyer. There is a lot of expertise and it is very capital intensive, which is another problem. In terms of family farms, if you have the money to get into it, you would be a damned fool to put your money into it. Once you get your money in there, you cannot get it out. In a way it is a trap. I think history has changed the whole concept and it is more for romantic reasons than political reasons that one wants to keep projecting the image of the family farm in these delightful pastoral settings with the traditional values and the healthy rural life.

Mr. Chairman: Prince Edward county.

Mr. Taylor: Yes, Prince Edward county. It is really that. You have to watch you do not become victims of the image or the perception, because once you are in it, it is a very real world and it is a very competitive and difficult field to be in.

Mr. Ferraro: When I listened to the brief, when I let my imagination wander and so forth and I consider how difficult it is for policy advisers in the Ministry of Agriculture and Food to come up with policy suggestions, and when I take that in the context of my limited experience of the problems of farmers, particularly in the existing family farms or existing farms, are we as a government doing enough to give existing operations options of what they are producing?

In other words, if a guy is producing a certain commodity, is there enough stimulus for him to switch to another commodity or is the situation in agriculture such that there is a glut of production in everything? We can come up with loans, marketing assistance and all these wonderful things, but if you have a farm situation where a guy over the last 50 years is producing X and now from our perspective he should be producing Y because the demand is greater, are we as a government doing enough to facilitate that, or is that a viable consideration?

Mr. Seguin: The government has spent efforts over the years improving farm management ability, the marketing awareness of farmers, their ability to handle and change situations.

At this time, there is a number of commodities and a farmer in one specific commodity area will find it difficult to switch completely into another commodity. It is very difficult to switch from dairy into hogs without losing something in the switch. The government is looking at a number of areas where it can improve both the on-farm capacity, the diversity of agricultural production and agricultural processing. Again there are more opportunities.

I believe Brian mentioned the concept of market niches. With the glut in a number of areas you have to look for that specific little niche, whether it be in tobacco, grains or meats, that offers that opportunity and in some cases you will find you have made a quality product. Even at the premium price you will still do it, but with more efforts, and the government is putting more effort into helping farmers and the processors to find those opportunities because in the general kind of commodity trade there is a glut of product at the moment. It is very competitive and for most farmers it is not going to be very profitable.

Mr. Ferraro: Is there a resistance to switch--obviously there must be--among farmers who have dairy cattle? How great a resistance is there or is it something you do not even think about?

Mr. Seguin: If you are in dairy production and if it is profitable or at least semi-profitable, there is no incentive to switch at the moment. If you wish to get out, your operation is geared to dairy production and you will have to change it around to make it into a hog unit. There is some change in cost, as there is with a change in manufacturing from one type to a completely different type. It is not the easiest decision to make.

Mr. Ferraro: I am sure it is not.

Mr. Seguin: The opportunities would exist and there are benefits if you get into the right commodity. Under supply management, dairy and poultry products offer some financial stability.

Mr. Ferraro: I will be blunt. What prompted the question was that in my ministry, the Ministry of Industry, Trade and Technology, we had a situation where there was a tobacco farmer--obviously, it might be a unique situation--who came in with a proposal to get into mushroom production with assistance from the Ministry of Agriculture and Food and from my ministry. Everybody said there was a big glut and it was terrible in mushroom production. This individual was obsessed with the idea of getting into mushroom production.

Mr. McFadden: Why mushroom production?

Mr. Taylor: Campbell's soup, is it?.

Mr. Ferraro: No. What I am asking is, are we giving enough attention to people by saying: "We know you have a problem. Here is where we can give you some assistance. We need this type of commodity"? What you are telling me is that there is a glut in everything.

Mr. Seguin: There is a glut in mushrooms. It is a good example because not that many years ago it was a booming market and there was an opportunity to get in. The opportunity in growing mushrooms is an ability to turn around fast, but the supply cut off the demand. If you get into that, you are going to get into a high cost level to compete against people already in the market who have the contacts and the skills to grow mushrooms.

Mr. Ferraro: If I were a farmer growing tobacco and I said, "I give up; what should I grow?" what would you tell me?

Mr. Seguin: You would have a very difficult time now in a new production area. There are opportunities.

Mr. Ferraro: What you are telling me is that we do not have any alternatives.

Mr. Seguin: There are some.

Mr. Ferraro: I can buy a lottery ticket and keep my fingers crossed.

Mr. Seguin: The problem is that for each farmer, that may be true. If 30 or 40 jump into that market at the same time, that is where the real crunch comes. For the individual farmer, that may be true. From our province's standpoint, it that true for adding 50 or 60 farms, particularly if there are only 30 or 40 in the commodity at the moment?

Mr. Ferraro: What about the producers already there?

Mr. Seguin: It becomes a bit of a tradeoff. For tobacco producers at this time, given the situation for most commodities that are easily grown, it is a difficult situation, but there are selective opportunities.

Mr. Crozier: I was going to underscore what Mr. Seguin was saying. One area where we have provided assistance is in trying to improve--albeit there is a glut, there are short periods in which prices rise as a result of weather or whatever. The ministry promotes managerial improvement and the use of marketing tools to help producers gear up for such times, even though the general scenario is a glut. That is one area where we try to help producers.

Mr. Taylor: You have a farm and that farm does not apply to your

mushroom plant. They buy the hay that they use in their plant and it keeps the price of hay up in the region, but the land mass they require is very small.

Mr. Ferraro: That is right. They just need a couple of buildings and equipment.

Mr. Chairman: There is a tendency in dairy farming towards farming other people's cattle and having corporations own the cattle you are farming. Is that not correct, particularly in southwestern Ontario?

Mr. Seguin: I am not familiar to that extent within Ontario. It is a concern in the US, but not to a great extent here. That is partially due to the tax legislation in the US. There was a specific instance recently because of the federal research tax credit program that brought it to a head, but it has not been prevalent. The family farm in dairy production is still a major unit.

Mr. Chairman: I recently became aware of an operation out of Hamilton that seemed to be providing cattle to a lot of farmers in southwestern Ontario who were having cash-flow problems.

Mr. Seguin: It may be the same firm. The firm I am thinking of received the scientific research tax credit and is using that as a kind of vehicle for allowing this to proceed. They have run into a lot of opposition from farm groups and the Ontario Milk Marketing Board about the ethics of this kind of arrangement.

4 p.m.

Mr. Ferraro: I have one final point, and I really not should make it because I am not going to Washington, unfortunately. It may be advisable for the committee, if Mr. Traficante can arrange this, to get some specific questions from these gentlemen that might be good for the committee to ask the various delegations, congressmen, senators or whomever in Washington.

Mr. Seguin: I would be pleased to provide that.

Mr. Chairman: We would appreciate that very much.

Mr. Seguin: When are you going?

Mr. Chairman: Next week. We are leaving Monday afternoon.

Mr. Seguin: Friday seems to be the deadline.

Mr. Chairman: Thank you very much for your assistance. It has been extremely helpful to us. We have come to certain interim conclusions that you saw last fall if you read our interim report. We have either to expand on those or alter them in our final report and you are assisting us a great deal.

Mr. Seguin: Thank you.

Mr. Chairman: Members of the committee, we adjourned Mr. Traficante's presentation. Now perhaps we can resume.

Mr. Taylor: Do you want this on tape?

Mr. Chairman: It has been suggested that we go off Hansard. What is the wish of the committee?

Mr. Ferraro: What is the agenda?

Mr. Chairman: The rest of the agenda is Mr. Traficante going over some highlights of his report to us on subsidies in four selected states of the US.

Mr. Taylor: It may be that those members who are not here would like the benefit of what was discussed in this area. I prompted the chairman to suggest it. If it was to be a discussion of a paper, I was wondering whether it was necessary to have Hansard report it, with the attendant cost. Being very cost conscious, I put it to the chairman to consider.

Mr. Chairman: I think it is a proper question. Mr. Traficante is available to committee members, unlike the previous witnesses. If some members who are not here want to read his paper and ask him some questions, they can just go and ask him.

Mr. Mackenzie: I would rather read the paper first and then ask questions.

Mr. McFadden: We are in trouble now.

Mr. Chairman: That is not what we were discussing.

Mr. McFadden: It depends on what the committee wants.

Mr. Chairman: I am open to a motion right now and then we can look at what Mr. Mackenzie suggests. I am open to a motion right now that we go off Hansard, if somebody wishes to so move.

Mr. Ferraro moved that the committee continue in camera.

Motion agreed to.

The committee continued in camera at 4:02 p.m.

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